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**Illinois Internal Improvements  
1818-1848**

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**JOHN H. KRENKEL**



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# Illinois Internal Improvements 1818-1848

By  
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## PREFACE

THIS study is an attempt to portray the problem of internal improvement development in Illinois during its frontier stage. Hampered by meager resources, the state accomplished little more than laying out roads and declaring certain streams navigable prior to 1836. Although an Illinois and Michigan canal was long considered, construction did not begin until credit became available during the boom of 1836. With the advent of railroad building in eastern states, proposals for the construction of railroads by chartered companies was begun in Illinois. The inability of the corporations to raise money and the feeling then prevailing throughout the country that transportation monopolies should not be placed in the hands of private companies led to a demand for state construction of internal improvements. These factors, together with the example of other states and the speculative spirit current in 1836 induced the state of Illinois to undertake an extensive system of public works far too costly for her resources and out of proportion to the needs of a frontier people.

The depression which followed the speculative period and the flood of bonds from other states undertaking similar programs of internal improvements made Illinois securities unsalable by 1840, so that construction on the public works had to be discontinued. For several years the state groped blindly for a solution of the debt problem resulting from the internal improvement system. Finally, by 1848 the completion of the Illinois and Michigan Canal and the decision to bear the burden of increased taxation assured the payment of the debt. After the failure of the system of 1837 the construction of internal improvements was left to private enterprise, and during the decade of the fifties chartered companies built an extensive railroad system for Illinois. The success of the pri-

vate companies as contrasted with the failure of the state can be explained by the better times, the liberal policy of the federal government in granting land to the companies, and the increased wealth and population of the state in the fifties as compared with the thirties.

The writer wishes to acknowledge those who extended aid in this study. Miss Margaret Norton, former Illinois State Archivist, deserves much credit for making available so efficiently the manuscript documents in the State Archives Division, and for offering suggestions concerning the location of other materials. The index which she had made for the senate and house journals of the state legislature greatly simplified an otherwise laborious task. Dr. Paul M. Angle, director of the Chicago Historical Society Library, extended many courtesies and accommodations. The writer also wishes to express his appreciation for the courteous assistance given him by the librarians of the Illinois State Historical and University of Illinois libraries. Finally, the writer owes a debt of gratitude to the late Theodore Calvin Pease, under whose guidance the study was inaugurated. His patient and scholarly criticism resulted in many constructive contributions.

August, 1957.

JOHN H. KRENKEL

## CHAPTER I

### RIVER AND ROAD IMPROVEMENT, 1818-1836

THE problem of improved means of transportation was one of the most difficult questions confronting the state of Illinois upon its admission to the union in 1818. Not only was it one of the earliest problems, but one of the most persistent.

Improved transportation facilities were a prime necessity in a new state seeking to attract settlers to develop its resources. Immigrants would not come to a state which did not have close and cheap commercial connections with the more thickly populated areas. Homes could not be established and farms could not be improved until means of communication were set up with the outside world to bring in tools and equipment. The cost of carrying merchandise to the interior over long and difficult routes increased the price so as to make imports prohibitive. After having established his home in the new state, the farmer needed a system of communications to connect him with an entrepot in which to market his surplus produce and from which it might be transported to the ultimate consumer in the industrial centers of the East. Bulky farm products could not pay high transportation charges and compete in the eastern seaboard markets. The facilities of Illinois in 1818 were limited either to the navigation of the river system that net-worked the state or to the use of the muddy prairie roads. It was the effort to improve these conditions so as to relieve the economic burdens of transportation which led to the general movement for internal improvements in Illinois.

The numerous rivers which flowed along its boundaries or crossed the state in every direction formed the earliest means of transportation for the people of Illinois. The first settlers came by land or by way of the Ohio river from the east and by the Mississippi river from the south. A much used land

route crossed the Blue Ridge mountains at Ward's Gap in western Virginia, led through eastern Tennessee and Kentucky, and reached the Ohio river at Cincinnati from whence that stream was used for the remainder of the way. After the federal government laid out the National Road that route became the most popular of all land routes.

Foreign products consumed within the state were brought in via New Orleans by keelboats, pushed at great labor with long poles against the strong current of the Mississippi by the hardy boatmen of that day, or carried by wagons over the Allegheny mountains from Philadelphia to Pittsburgh or from Baltimore to Wheeling, thence in flatboats floated down the Ohio and landed at convenient points to be taken again by wagons to the final points of destination. Such surplus products as the state produced were generally floated down the Mississippi river to New Orleans. Most of these shipments were intended for the supply of the local market there, since but a trifle of the staple articles of Illinois found a market in foreign countries. Any temporary scarcity in the New Orleans market was soon supplied, for the products of Illinois had to compete with those from Ohio, Indiana, Kentucky, Tennessee, and Missouri. The farmer of Illinois in 1818 generally undertook to be his own merchant and trader. After having produced a quantity of corn, flour, bacon, and such products, he would build a flat-bottomed boat on the shore of the nearest river or large creek, load his wares into it, and with several neighbors or hired men to assist him set out upon the long, tedious journey to New Orleans. The return home was performed on foot during territorial times, but by 1817 steamboat facilities began to be available on the Mississippi.

Many broad rivers such as the Illinois, the Kaskaskia, the Wabash, the Embarrass, the Saline, and the Big Muddy, afforded some means of communication with the interior of the state. It was along these waterways that the first settlers set up their homes. The streams were their only means of contact with the world.

The limitations of communication by land compelled the



people of Illinois to rely for the most part upon river transportation until the coming of the railroads. Flatboats and keelboats were used on practically every river of the state, at least during high waters.

At the time of the admission of Illinois into the union the steamboat was coming into use on the western rivers.<sup>1</sup> Not only the Ohio and Mississippi, but many of the smaller streams as well had steamboat traffic. In January of 1818, Morris Birkbeck wrote that, "Steam-boats already navigate the Wabash: a vessel of that description has this winter made its way up from New Orleans to within a few miles of our settlement. They are about building one at Harmony."<sup>2</sup> Regular packets made their way up the Wabash as far as Terre Haute and Lafayette during the late eighteen twenties.<sup>3</sup> Packets from Terre Haute, St. Louis, New Orleans, and Louisville made regular daily calls at Shawneetown.<sup>4</sup>

In the central part of the state the Illinois river was navigable as far up as Peoria and even as far as Ottawa during high water. By 1830 occasional steamers ascended to Peoria and by 1837 regular packets plied between Peoria and St. Louis.<sup>5</sup> Even the smaller rivers of Illinois served as arteries for the transportation of freight. The trip of the steamboat *Talisman* up the Sangamon river to the Springfield landing in 1832 is an example.<sup>6</sup>

With the streams playing such an important role in the economic life of the state, it is to be expected that proposals were made for their improvement at an early date. The first general assembly enacted a law on March 22, 1819, authorizing a lottery to raise funds for the improvement of the Wabash at the Grand Rapids by digging a canal.<sup>7</sup> As might have been

<sup>1</sup> Archer Butler Hulbert, *Waterways of Westward Expansion, the Ohio River and Its Tributaries* (*Historic Highways of America*, volume IX, Cleveland, 1903), 139.

<sup>2</sup> Morris Birkbeck, *Letters from Illinois* (Philadelphia, 1818), 55.

<sup>3</sup> The *Tippecanoe* and the *Fairy* made regular trips. *Illinois Gazette*, May 8, 1830.

<sup>4</sup> *Ibid.*, December 12, 26, 1829, June 26, 1830.

<sup>5</sup> *Illinois Intelligencer*, November 19, 1831; *Peoria Register*, July 1, 1837.

<sup>6</sup> *Sangamo Journal*, July 12, 1832.

<sup>7</sup> *Laws of Illinois*, 1819, 257-59; *Journal of the Senate of the State of Illinois*, 1819, 164, 184, 190, 240. Cited hereafter as *Senate Journal*.

expected the means provided by this scheme proved completely inadequate.

The lottery having proved a failure, the legislature passed another act in 1822 relative to the improvement of the Wabash.<sup>8</sup> The governor was authorized to appoint one or more commissioners on the part of the state to act in conjunction with such commissioners as the state of Indiana might appoint for the purpose of examining the obstructions in the river. The governor was to transmit the report of the commissioners to the general assembly at its next meeting. The sum of \$5,000 was appropriated to carry the act into effect.<sup>9</sup>

Indiana failed to cooperate, and at its next session the legislature passed an act to incorporate the Wabash Navigation Company.<sup>10</sup> This company was allowed a capital stock of \$100,000, none of which was ever sold. During this session of 1824-1825 a law was also passed to provide for improvement in the navigation of the Sangamon river.<sup>11</sup> A fund was to be created for the purpose, by the county commissioners opening books for subscriptions. The county courts were authorized to levy a tax of not less than one-fourth per cent nor more than one per cent on all taxable property in the counties crossed by the Sangamon, if the majority of the male citizens of the counties concerned, should petition the county commissioners to impose such a tax. Payment of the tax in labor was allowed.

The following year the proponents of internal improvements hit upon still another scheme for improving the rivers of the state. A proposal was made to sell portions of the Gallatin and Vermilion county salines for the purpose of improving the Wabash. On December 26, 1826, the legislature sent a memorial to Congress requesting Congressional approval of the plan.<sup>12</sup> Two months later a law was enacted appointing Daniel W. Beckwith, Achilles Morgan, and Amos Williams commissioners to select 10,000 acres of the Vermilion saline,

<sup>8</sup> *Laws of Illinois*, 1823, 72; *Journal of the House of Representatives of the State of Illinois*, 1822-1823, 35, 54. Cited hereafter as *House Journal*.

<sup>9</sup> *Laws of Illinois*, 1823, 167.

<sup>10</sup> *House Journal*, 1824-1825, 221, 246, 275; *Laws of Illinois*, 1825, 96-100.

<sup>11</sup> *House Journal*, 1824-1825, 120, 131, 165; *Laws of Illinois*, 1825, 48.

<sup>12</sup> *House Journal*, 1826-1827, 117, 157.

should Congress consent to the sale of the salt lands.<sup>13</sup> All net proceeds arising from the sale of such lands were appropriated to improve the navigation of the Great Wabash. The money was to be disbursed in conjunction with Indiana, when that state should set apart and appropriate funds for the purpose. The members of the legislature were going to make sure that no money received from the sale of the salt lands would lie idle, so they distributed appropriations with a lavish hand.<sup>14</sup>

The legislature in 1826 received petitions from the residents of several counties requesting river improvement for navigation purposes. The inhabitants of White and Wayne counties asked for removal of obstructions in the Little Wabash. A select committee reported a bill which failed of adoption.<sup>15</sup> The citizens of Pope county petitioned that Big Bay creek be declared a public highway. The committee on internal improvements of the house of representatives made an adverse report.<sup>16</sup> When the residents of Union, Alexander and Johnson counties asked for removal of obstructions to navigation in the Cache river, the house committee on internal improvements declared that the condition of the treasury made impossible an appropriation for this purpose.<sup>17</sup>

In the general assembly of 1828-1829 the committee on internal improvements of the senate made a report recommending the improvement of the Kaskaskia river.<sup>18</sup> It was pointed out that as early as 1819 keelboats were brought up the Kaskaskia from the Mississippi, as high as Carlyle, a dis-

<sup>13</sup> *Laws of Illinois*, 1827, 358.

<sup>14</sup> An act passed February 15, 1827, provided that as soon as \$20,000 was realized from the sale of lands in the Vermilion saline, the sum of \$1,000 was appropriated toward the improvement of the Big Muddy river. A law enacted in 1829 appropriated the proceeds of sales after those of the first 10,000 acres as follows: \$1,000 to the navigation of the Little Wabash; \$700 to a state road, Vandalia to Golconda; \$2,000 to the Kaskaskia river; \$1,000 to the Sangamon river; \$800 to the Macoupin river and roads in Greene county; \$2,000 to the Vermilion river; \$800 to bridge Bruetts and Sugar creek, and roads in Edgar county; \$800 to Big creek, Stony creek, Mill creek, and the bottom between Stony and Bohn's creek; \$1,000 to Rockson, Hudson, Sugar and La Motte creeks, and the bottoms thereof; \$1,600 to improvements in Lawrence county. *Ibid.*, 1827, 359, and 1829, 147-48.

<sup>15</sup> *Senate Journal*, 1828-1829, 175-79.

<sup>16</sup> *Ibid.*, 23, 36.

<sup>17</sup> *Ibid.*, 29, 41.

<sup>18</sup> *Ibid.*, 175-79.

tance of 100 miles. It was further shown that flatboats laden with produce for the New Orleans market were regularly floated down the river. The committee recommended that Congress be memorialized for a donation of land, and reported a bill.<sup>19</sup> The legislature responded with the act of January 23, 1829, which created a board of commissioners consisting of Shadrach Bond, Edward Newsham, Samuel Morrison, Hartshorn White, Charles Slade, and William Lee D. Ewing.<sup>20</sup> An appropriation of \$2,000 was made out of the money received from the sales of the Vandalia lots and \$2,000 from the proceeds when the Vermilion county saline lands were to be sold.<sup>21</sup> No money became available from the sale of the saline lands, and the other \$2,000 was diverted from its intended use, and appropriated to the counties of Randolph, Perry, Monroe, Washington, St. Clair, Clinton, Fayette, Marion, and Bond. The board created for the improvement of the Kaskaskia reported to the general assembly in 1835 that it had transacted no business because of lack of funds.<sup>22</sup> Since there was no reason for continuing the existence of the board, the legislature enacted a law on January 16, 1836, authorizing it to dissolve.<sup>23</sup>

A bill to improve Macoupin and Apple creeks passed the senate but was defeated in the house during the 1828-1829 session.<sup>24</sup>

The complete failure of all former schemes for the improvement of the Wabash, resulted in a recrudescence of discussion on the subject in 1833. The general assembly passed a resolution requesting Governor Edward Coles to communicate with the governor of Indiana to learn if the cooperation of that state might be expected.<sup>25</sup> After an exchange of letters had established a confidence in the willingness of Indiana to co-

<sup>19</sup> The committee likewise recommended that Congress be memorialized for a grant to improve the Sangamon, Macoupin, and Big Muddy rivers. *Ibid.*, 179.

<sup>20</sup> *Laws of Illinois*, 1829, 124-25.

<sup>21</sup> The auditor's report of December 8, 1828, shows that the amount received from the sale of Vandalia lots from November 10, 1826, to November 30, 1828, was \$3,287.10. *Ibid.*, 246.

<sup>22</sup> *Senate Journal*, 1825-1826, 184.

<sup>23</sup> *Laws of Illinois*, 1836, 244.

<sup>24</sup> *House Journal*, 1828-1829, 90.

<sup>25</sup> *Ibid.*, 1832-1833, 83, 143, 212.

operate, the legislature passed an act which stipulated that \$12,000 should be expended if the state of Indiana would appropriate an equivalent sum, on or before March 4, 1834.<sup>26</sup> Indiana accordingly approved a law on February 1, 1834, appropriating \$12,000 to match the sum appropriated by Illinois.<sup>27</sup> The reports of the auditor of public accounts, show that warrants amounting to \$11,686.71 were drawn on the treasury from November 30, 1833, to November 30, 1835, for the improvement of the Wabash.<sup>28</sup>

Interest in the improvement of the Sangamon was stimulated when the steamboat *Talisman* ascended the river to the Springfield landing in 1832. George Forquer had a letter published in the *Sangamo Journal*, July 12, 1832, addressed to the voters of Sangamon county, in which he pointed out:

The recent experiment made by the steamboat, *Talisman*, in ascending the river to the Springfield landing, has disclosed how far its navigable capacities may be improved. A few 1000 dollars would enable steamboats of from 50 to 80 tons burden, for about 5 months in the year to run from Beardstown to this place in 24 hours. This done, and the Sangamo would add as much to our commercial facilities as a canal from here to the Illinois. The means for this project might come from the proceeds of the sale of the saline lands. The Legislature by the acts of 1827, and 1829, has provided for the sale of all the Vermilion and 30,000 acres of the Ohio saline lands.

An act providing for the improvement of the Sangamon river eventually passed the legislature, February 12, 1835.<sup>29</sup> Lack of funds, however, resulted in no appropriation at this time.

The precedent set by the federal government in 1822 in granting lands to the state for the construction of an Illinois and Michigan canal<sup>30</sup> resulted in a flood of demands for land to aid in the improvement of various rivers. In the 1830-1831 session of the legislature memorials were addressed to Congress for donations of land to aid the state in the improvement

<sup>26</sup> *Laws of Illinois*, 1833, 609-11.

<sup>27</sup> *Illinois Advocate*, March 29, 1834; *House Journal*, 1834-1835, 16.

<sup>28</sup> *Laws of Illinois*, 1835, 243, and 1836, 282.

<sup>29</sup> *House Journal*, 1834-1835, 453, 513, 550.

<sup>30</sup> *United States Statutes at Large*, III, 659. Although the question of an Illinois and Michigan canal was consistently considered by the state legislature no action was taken until the boom period of 1836.



of the Kaskaskia and Embarrass rivers.<sup>31</sup> During 1834-1835 numerous requests were made of the federal government. One memorial to Congress asked for a donation of land worth at least \$2,000 to improve the Cache river in Johnson and Alexander counties.<sup>32</sup> Other requests sought appropriations for clearing out obstructions to navigation from the Mississippi, Illinois, Wabash, and Kaskaskia rivers.<sup>33</sup> Only the Mississippi, however, received any attention from the federal government at this time.

River transportation, important as it was, could not meet the needs of a large part of the state. Highly desirable land lay in the interior between streams which could be occupied only when improvement was made of facilities for travel and transportation by land. Then, too, the distance from one place to another by water was often several times as great as that by land. It was for this reason, in early territorial times, that travel began to trickle overland from various points on the Ohio to the settlements on the Mississippi. By 1818 a number of overland routes had been put into use in the southern part of the state. One of the first roads to be developed led from Fort Massac, situated on the Ohio a short distance below the mouth of the Tennessee, to Kaskaskia on the Mississippi. By 1818 this route had been largely superceded by the roads leading from Golconda and Shawneetown to the state capital. From Kaskaskia northward a number of roads were in use; one followed a circuitous route through the American Bottom via Prairie du Rocher and Cahokia to Illinoistown opposite St. Louis, while another followed a direct route through Belleville to Edwardsville. One of the best known roads of the time was the "Goshen Road" extending from Shawneetown in a direct route via Carlyle to Edwardsville and Alton. A line of travel across the state from Vincennes to St. Louis joined the Goshen Road at Carlyle and coincided with it for several miles. A branch of the Vincennes-St. Louis road left the main line near the center of the state and led in a southwest-

<sup>31</sup> *House Journal*, 1830-1831, 367.

<sup>32</sup> *Ibid.*, 1834-1835, 407, 498; *Senate Journal*, 1834-1835, 37, 63.

<sup>33</sup> *House Journal*, 1834-1835, 37, 81-84, 400; *Senate Journal*, 1834-1835, 37, 63, 372, 442.

ward direction toward Kaskaskia. One other important road extended from Shawneetown northward through Carmi to the English settlement.<sup>34</sup> Besides the main highways crossing the state there were, in addition, numerous trails radiating out from the towns through the surrounding country or connecting small settlements with the through roads or with navigable streams.

Although there was considerable travel on the main routes during the dry season and in winter when the ground was frozen, they were in reality little more than trails worn by use. In many places the trail through the wilderness became so indistinct that the traveler had difficulty in following it. The amount of grading and other improvements that had been made on even the most frequently used roads was almost negligible. It was not that the people did not care for better means of transportation, but the frontiersman had to spend all his time in maintaining a roof over his head and wresting a living from the soil, and he had no money to pay wages to laborers for road building.

The need of improvement was evident, and the first state legislature proceeded to pass "an act for opening, repairing, improving, and regulating roads and highways." However, the condition of the state treasury did not permit the appropriation of any money for actual improvements. The road law of 1819 declared all roads laid out under the territorial legislature to be public roads and highways.<sup>35</sup> The county commissioners courts were vested with general superintendency over the public roads and highways within their respective counties. The law further provided that the county commissioners were to appoint supervisors, who were given the power to call on all males between the ages of eighteen and fifty in their precincts to perform labor upon the roads, causeways, and bridges to keep them in good order. Every such person failing to appear for labor when called upon was to pay one dollar

<sup>34</sup> Solon J. Buck, *Illinois in 1818* (*Centennial History of Illinois*, introductory volume, Springfield, 1917), 59, 114; Arthur C. Boggess, *The Settlement of Illinois, 1778-1830* (Chicago Historical Society's *Collection*, volume V, Chicago, 1908), 125, 157.

<sup>35</sup> *Laws of Illinois*, 1819, 333-44.

per day for each day's absence. No person should be compelled to work on the public roads more than five days in a year. Every supervisor was to be entitled to a compensation of one dollar and a half for each day actually employed plus five per cent of all monies collected in his district for road purposes. Supervisors neglecting their duties were to be subject to a fine of twenty-five dollars for each offense. The county commissioners were empowered to contract for the building and repairing of bridges and causeways when the construction was beyond the capacity of the supervisors and their assistants to perform. New roads were to be opened only upon the petition of at least twelve house-holders resident in the county. The costs of viewing and surveying the road had to be borne by the petitioners, unless the road was of public utility, when the costs were to be paid out of the county treasury.

The road law of 1819 was amended many times during the succeeding twenty years. In 1821 the duties of the supervisors were further defined and their compensation reduced to one dollar per day for each day's employment over and above the five days service required of every male resident of the county between the ages of eighteen and fifty.<sup>36</sup> They were still entitled to receive five per cent of the road money collected in the county.

The general assembly of 1824-1825 made a number of very significant changes in the road law.<sup>37</sup> The amount of labor on roads required of the male residents of the county was reduced from five to two days a year, and the minimum age of those subject to call was raised to twenty-one. The compensation of the supervisors was restored to one dollar and a half per day; however, they were no longer entitled to the five per cent of the county road money which they had formerly received. No new road was to be ordered opened by the county commissioners unless there were thirty-five petitioners, except in counties of not more than three hundred voters, where only fifteen were required. Most important, was the provision which em-

<sup>36</sup> *Ibid.*, 1821, 167-69.

<sup>37</sup> *House Journal*, 1824-1825, 63, 189, 255, 290, 297; *Laws of Illinois*, 1825, 130-34.



powered the county commissioners to levy a road tax. This was the first tax for road purposes provided for by state law. The new tax, the maximum rate of which was fixed at one-half per cent, was to be collected by the supervisors in their respective districts by November 1, annually. Any person unable or unwilling to pay the tax was allowed to discharge it in labor on the roads.

In 1827 all previous laws providing for the opening, repairing, and regulating of roads were repealed and a new law passed. Practically the same provisions of the former laws were incorporated, except that the section on compulsory road labor allowed a person to be exempt if he furnished a substitute equally able as himself to perform his work.<sup>38</sup> The minimum age of those required to do labor was again put at eighteen and the amount of work at five days per year. An amendment passed in 1831 reduced the amount of compulsory labor required to three days in a year, but whenever, in the opinion of the county commissioners court of any county that was found to be insufficient, the commissioners could authorize the supervisors to call upon every taxable inhabitant to perform an additional amount of labor on the roads at the rate of not more than one day for every one hundred dollars worth of real and personal property he might possess in the county.<sup>39</sup>

A new law was enacted in 1835 which embodied virtually the same provisions as the law which it repealed.<sup>40</sup> On January 18, 1836, an amendment was added to allow the counties to spend larger sums for the improvement of roads.<sup>41</sup> The county commissioners were authorized to expend on roads any sum not exceeding one-third of the amount received into the county treasury in the current year immediately preceding the time of expending such sums of money.

In addition to the general road laws the state legislature also passed special laws providing for the opening and im-

<sup>38</sup> *Ibid.*, 1827, 340-46.

<sup>39</sup> *House Journal*, 1830-1831, 254, 356, 366, 498, 511, 536; *Laws of Illinois*, 1831, 158-62.

<sup>40</sup> *Senate Journal*, 1834-1835, 145, 268, 316, 356, 441; *Laws of Illinois*, 1835, 129-39.

<sup>41</sup> *Ibid.*, 1836, 207.

provement of particular roads.<sup>42</sup> The first of such acts, approved on March 24, 1819, provided for the appointment of five commissioners, James Hall, John Bradshaw, Isaac D. Wilcox, John Henry, and Alexis Doza, to view and mark a road from Golconda via Brownsville to Kaskaskia. The commissioners were to receive two dollars per day from the treasuries of their respective counties while they were employed in viewing and marking the road. At the same session of the legislature an act was approved authorizing the county commissioners of St. Clair and Madison counties to appoint three persons in each county whose duty it should be to lay out a road from Illinoistown to Six Mile Prairie.

It will be seen that different principles were followed in providing for the appointment of persons to lay out the roads, in the first act they were appointed by the legislature, and in the second by the county commissioners courts of the counties through which the road was to pass. In general the former method was followed for long roads and the latter for local roads.

In 1821 the United States road from Shawneetown to Kaskaskia was declared a public highway with the provisions of the general road law of March 29, 1819, applicable to it in all respects.<sup>43</sup> It may appear unnecessary that a road surveyed by the United States government be declared a public highway by the state, but the act served a useful purpose, for it placed upon the county commissioners the duty of keeping the road in repair under the same penalties as were imposed for neglect of other highways within their jurisdiction.

At the first session of the legislature provision was made for the removal of the seat of the state government from Kaskaskia to the newly-platted town of Vandalia on the upper waters of the Kaskaskia river, halfway between the Mississippi and the Wabash. The new capital immediately became the radial point for the road system of Illinois. The general

<sup>42</sup> *House Journal*, 1819, 123, 132, 137, 150, 180, 201; *Senate Journal*, 1819, 71, 76; *Laws of Illinois*, 1819, 239, 297.

<sup>43</sup> *House Journal*, 1820-1821, 294, 302, 312, 327, 340; *Laws of Illinois*, 1821, 148.

assembly of 1822-1823 approved eight laws providing for the location of roads from Vandalia to Golconda, Shawneetown, Kaskaskia, Covington, Palestine, Alton, Illinoistown, and to the Vincennes-St. Louis highway.<sup>44</sup> The Vandalia-Kaskaskia road, connecting the first and the second capitals of the state, was surveyed and laid out in 1824.

The session of 1822-1823 also established roads from Shawneetown to the Gallatin saline, from Covington to America via Brownsville and Jonesboro, from McCalla's to Vincennes, from Fairfield to the Wabash opposite Harmony, from Fairfield to Carmi, and from Mount Vernon to the Gallatin saline.<sup>45</sup>

The first roads were established in central Illinois in 1825, when Sangamon county had just been formed, and Springfield was beginning to become a village of some importance. The general assembly at this session laid out two roads leading from Springfield, one to the Illinois river, and another to Paris in Edgar county.<sup>46</sup> Ten more roads were established in the southern part of the state — Fayette county line to Crawford county, Gallatin county saline to Littleton's Ferry, McCalla's bridge to Vincennes, Illinoistown to the bluffs, Vandalia to St. Louis, Columbia to Illinoistown, Prairie du Rocher to Cahokia, Paris to Wakefield's settlement, Vandalia to Carrolton, and Carmi to Shawneetown.<sup>47</sup> Provision was also made for surveying and locating the National Road across Illinois. Commissioners were appointed who decided on a route from the state line at Vincennes to the bank of the Mississippi river opposite St. Louis via Lawrenceville, Evans', McCalla's, Maysville, Elliott's, Meisenhamer's, Lewis', Piles', Salem, Carlyle, Scott's Post Office, Lebanon, and Hathaway's. Most places mentioned were farm homes; all towns on the route were small. Several years later the National Road was rerouted through Illinois from Terre Haute, Indiana, through Vandalia.

<sup>44</sup> *Ibid.*, 1832, 123, 124.

<sup>45</sup> *Ibid.*, 1823, 98, 124, 143.

<sup>46</sup> *House Journal*, 1824-1825, 48, 115; *Laws of Illinois*, 1825, 35, 81.

<sup>47</sup> *Ibid.*, 15, 22, 56, 60, 61, 104, 105, 107, 115.

In 1827 four roads were declared to be state highways — Mount Vernon to Carlyle, Springfield to Peoria, Carlyle to Springfield, and Equality to Ford's Ferry on the Ohio river.<sup>48</sup>

In 1828-1829 and following sessions the number of roads established by the legislature was so great it would be monotonous to enumerate all of them. For example, in 1829 seventeen new roads were laid out, in 1831 twenty-two, in 1833 fifty-one, in 1835 forty-one, and in 1836 thirty-eight.

It was not until 1831 that the first roads were established in the northern part of the state. Settlement of that area had lagged because of inaccessibility and the difficulties with the Indians. In 1831 the legislature appointed commissioners to view and mark roads from Alton to Galena, from Springfield to Rock Island, and from the Wabash opposite Vincennes to Chicago.<sup>49</sup> Galena became an important road terminal because it was located in the heart of the lead mining district of northwestern Illinois. Chicago was just beginning to come into prominence as the objective of settlers who came from New York and New England by way of the Erie Canal and the Great Lakes, and as the eastern terminus of the projected Illinois and Michigan Canal.

The general assembly bestowed its favors lavishly but somewhat capriciously in laying out new roads. Establishment of a straight route across the state was often delayed for many years, because only a small portion of it was located at any one session of the legislature. Some roads were of great length leading from one end of the state to the other, while others simply led from one farmhouse to another. Sometimes one county received an unusually large proportion of the roads established, because its representatives were able to accomplish some shrewd bargains. Sangamon county after 1832 is an example.

Despite the numerous laws enacted by the legislature for establishing roads, transportation facilities and land travel remained in a wretched condition. No amount of legislation

<sup>48</sup> *Ibid.*, 1827, 347.

<sup>49</sup> *House Journal*, 1830-1831, 319, 349, 354; *Senate Journal*, 1830-1831, 273, 275, 310; *Laws of Illinois*, 1831, 137, 144, 157.

could improve and maintain roads, and it was not to be expected that the state could appropriate large sums for such purposes when the annual revenue with which to pay the entire expenses of the government was less than one hundred thousand dollars. In fact, but few direct appropriations were made out of the state treasury prior to 1837 for the improvement of highways; perhaps the largest item was the \$300 appropriated in 1829 for the improvement of that section of the Vincennes-Carlyle road lying between McCalla's bridge and the Muddy Fork.<sup>50</sup> The cost of practically all highway construction was placed upon the counties; even the salaries of the commissioners appointed by the state came from the county treasuries. The amount of grading and other work done upon the roads in that day was very limited as compared with present day standards of construction. The surveyors of the Chicago-Vincennes road reported in 1832 that the total cost of its improvement would be but \$31,658.35!<sup>51</sup> The road was 225 miles in length.

A number of attempts were made by the state to obtain aid from the federal government for road improvement purposes. In 1819 the general assembly passed a resolution requesting the representatives in Congress to use their exertions to procure the passage of a law authorizing a survey of the public lands in Illinois through which the National Road would pass, and to appropriate the proceeds arising from the sale of such lands to the opening and improving of the road.<sup>52</sup> Several proposals were made in the legislature during the session of 1830-1831 for memorials to Congress requesting grants of land and appropriations from the two per cent fund for the following roads: America to Vandalia, Terre Haute to Quincy, Chicago to Vincennes, and St. Louis to Vincennes.<sup>53</sup> In 1834

<sup>50</sup> *Ibid.*, 1829, 127.

<sup>51</sup> *Internal Improvement Records* (27 volumes, Illinois State Archives, Springfield), XXVII, no paging.

<sup>52</sup> *Senate Journal*, 1819, 221, 222.

<sup>53</sup> *House Journal*, 1830-1831, 239, 260, 279, 354, 376, 456. The act of Congress admitting Illinois into the Union as a state in 1818 provided that two per cent of the net proceeds from sales of public lands within the state was to be reserved for the construction of roads leading to the state. *United States Statutes at Large*, III, 430.



Joseph Duncan, the Illinois representative in the lower house of Congress, introduced a bill which would have granted the state a strip of land 120 feet wide plus one section for each mile of the length of the Chicago-Vincennes road to be used for the improvement of that highway.<sup>54</sup> All requests for aid from the federal government were refused, President Jackson having marked out the policy of the administration by his veto of the Maysville Turnpike bill in 1830.

Road construction by private companies was tried at an early date, but it never met with much success. On January 12, 1825, the Allison Turnpike Company was incorporated for the purpose of opening a turnpike from the Wabash river opposite Vincennes to Lawrenceville.<sup>55</sup> This company, capitalized at \$10,000, was unable to dispose of its stock. In 1826 two turnpike companies were incorporated. The Wabash and Mississippi Turnpike Company was given a charter to construct a road across the state from Vincennes to St. Louis, and the Alton, Jacksonville, and Galena Turnpike Company was to be permitted to construct either a turnpike or railroad from Alton to Galena.<sup>56</sup> The former was allowed a capital stock of \$500,000 and the latter \$1,000,000, and both were given the liberty to increase their capital from time to time. Like most private companies incorporated at this time to construct internal improvements, they never found buyers for their stock.

One of the most difficult problems which the people of a pioneer state had to face was the provision of means for crossing the numerous streams. Wherever possible a ford was used but there were many streams which could not be forded.

The first general assembly of Illinois sought to solve the problem by enacting ferry and toll bridge laws in which the county commissioners were given general supervision over the ferries and bridges in their respective counties.<sup>57</sup> The commissioners were authorized to grant licenses to any individual or individuals to erect toll bridges or to operate ferries on any stream whenever the public convenience should require it. No

<sup>54</sup> *Chicago Democrat*, July 23, 1834; *Sangamo Journal*, July 5, 1834.

<sup>55</sup> *Laws of Illinois*, 1825, 88.

<sup>56</sup> *Senate Journal*, 1835-1836, 25; *Laws of Illinois*, 1836, 115, 120-29.

<sup>57</sup> *Ibid.*, 1819, 28-30, 300.

license was to be granted for a longer period than twenty years. The owner of the land bordering on the stream was to have the preference in erecting such a bridge or ferry. The commissioners were given the power to fix the rates of tolls and ferriage. The operators of ferries were to be free of road work and of military service. A bond for the safe performance of his duties was to be given the ferry operator. Public carriers of the United States, the governor, and all military officers were exempted from paying tolls. According to the law ferries were to be in operation from sunrise to sunset:

Provided, however, that all ferry-keepers shall be obliged at any hour of the night if required, except in case of evident danger, to give passage to all public expresses above recited, and to all persons requiring the same on their tendering and paying double the rate of ferriage allowed to be taken during the daytime.

In addition to this general law, special acts were also passed from time to time in which the legislature authorized the construction of a particular bridge or the operation of a certain ferry.

The year 1836 marks the end of one period, and the opening of another in the development of internal improvements in Illinois. Up to that time no comprehensive work was undertaken; the total of all expenditures for internal improvements paid out of the state treasury amounted to only \$24,338.03 for the ten year period from November 30, 1826, to November 30, 1836.<sup>58</sup> During the ten years following, the state borrowed millions of dollars in an effort to build an extensive system of railroads and an Illinois and Michigan canal. It was a period characterized by the hysteria and wild optimism of a boom, the gloom and despondency of the subsequent depression, and the hopefulness and sobriety of the eventual recovery.

<sup>58</sup> The expenditures were as follows:

Appropriated for improvement of the Kaskaskia river, but diverted to the use of Bond, Clinton, Fayette, Marion, Monroe, Perry, Randolph, and Washington counties .....	\$ 2,000.00
Expended on bridges .....	3,328.50
Expended on roads .....	7,322.82
Expended on the Wabash river .....	11,686.71

These figures are taken from the auditor's biennial reports for the years 1828 to 1836 included in the *Laws of Illinois*.

## CHAPTER II

### THE ILLINOIS AND MICHIGAN CANAL

THE project of a canal to connect the waters of Lake Michigan and the Illinois river was one of the first proposals in the development of internal improvements in Illinois. A mere glance at the map of Illinois must convince even the casual observer that the union of Lake Michigan and the Illinois river by a canal, should be an object of easy accomplishment as well as of great commercial importance. And so it seemed to its early advocates. During the wet season the south branch of the Chicago river and the Des Plaines branch of the Illinois were connected by a slough through which a boat could pass. Even in the dry season there was a portage of but three miles. Nothing more seemed necessary to render this communication useful to commerce than to deepen the passage from the Chicago river to the rapids of the Illinois.

Interest in this project was not confined to the limits of the state, nor did the idea originate there. Its early advocates thought of it as a part of a general scheme of internal improvements which would provide some means of cheap transportation between the new West and the eastern seaboard. The manufacturers of the East understood clearly that unless the cost of transporting goods from the Atlantic seaboard to the West was reduced, the Mississippi valley would either become economically independent or direct its trade to the south through New Orleans. Even during the French regime the attention of the settlers was directed to the importance of the Illinois-Michigan portage and trading establishments were erected to take full advantage of it.

The idea of a canal connecting the Illinois river with Lake Michigan was probably first suggested by Peter B. Porter of New York. In 1810 he made a report to Congress in which he outlined a plan for connecting the West with the eastern



seaboard along the Great Lakes-Hudson river route by a series of canals.<sup>1</sup> He particularly pointed out the ease with which a canal could be constructed between the Illinois river and Lake Michigan. During 1814 two articles appearing in *Niles Register* also made mention of the subject.<sup>2</sup>

The War of 1812 demonstrated to federal officials the importance of connecting the Mississippi river with the Great Lakes by a waterway. In 1816 a tract of land extending from Lake Michigan to the Illinois river was obtained from the Indians. Ninian Edwards who was one of the commissioners that negotiated the treaty afterwards reported that "the Indians were induced to believe that the opening of the canal would be very advantageous to them, and that, under authorized expectations that this would be done, they ceded the land for a trifle."<sup>3</sup> Major Stephen Long, a United States Army engineer, submitted a report to the Secretary of War on March 4, 1817, in which he said that "a canal uniting the waters of the Illinois with those of Lake Michigan may be considered the first of importance of any in this quarter of the country, and at the same time, the construction of it would be attended with very little expense compared with the magnitude of the object."<sup>4</sup> Two years later a similar report was made by Richard Graham and Joseph Philips. In 1819 John C. Calhoun, the Secretary of War, directed the attention of Congress to the canal on account of its importance to military measures, and pointed out that the improvement could be made at very small expense.<sup>5</sup> No action was taken on the project at this time because the East and the South were opposed to internal improvements undertaken in the West by the federal government. President Monroe, too, was opposed, because he believed that it would be unconstitutional for the United States to finance such an undertaking. Thus it was not until after a state government was set up in Illinois and the local interests

<sup>1</sup> *Annals of Congress*, 11 Congress, 2 Session, II, 1388-93.

<sup>2</sup> *Niles Register*, VI, 394, 417.

<sup>3</sup> Ninian Edwards, *History of Illinois from 1778 to 1833; and Life and Times of Ninian Edwards* (Springfield, 1870), 99.

<sup>4</sup> *American State Papers*, Miscellaneous, II, 555.

<sup>5</sup> *Ibid.*; *Illinois Gazette*, February 17, 1820.

aroused that any definite move was made toward the achievement of the project.

In the first general assembly of the state unsuccessful efforts were made in both houses to pass bills authorizing the appointment of commissioners who were to ascertain the practicability of constructing an Illinois and Michigan canal.<sup>6</sup> After some spirited discussion both houses of the second legislature concurred in a resolution requesting the Congressional delegates to work for the passage of a law authorizing the state to construct the canal through the public lands granting to the state the use of the two per cent road fund as well as a donation of public lands of one section in width from the mouth of the Chicago river to where the canal would strike the Illinois river for financing the project.<sup>7</sup> Congress responded with a law on March 30, 1822, authorizing the construction, and granting a strip of land for the canal, but only ninety feet additional on each side instead of the donation as requested.<sup>8</sup> The grant was to be void if the survey was not made within three years and the canal completed in twelve years, or the land used for other purposes than provided for in the act. Governor Shadrach Bond in his message to the general assembly on December 4, 1822, recommended that the state take immediate steps in order to avail itself of the provisions of the Congressional act.<sup>9</sup> On February 24, 1823, the legislature approved an act appointing Emmanuel J. West, Erasmus Brown, Theophilus W. Smith, Thomas Sloo, Jr., and Samuel Alexander, commissioners to lay out a route for a canal, and to estimate its cost.<sup>10</sup> The commissioners employed two civil engineers, Justus Post and Rene Paul, to make the surveys and estimate the cost of the canal.<sup>11</sup> Estimates made by the en-

<sup>6</sup> *House Journal*, 1819, 144; *Senate Journal*, 1819, 130, 136.

<sup>7</sup> *Ibid.*, 1820-1821, 100, 102, 106, 115; *House Journal*, 1820-1821, 95, 200, 201.

<sup>8</sup> *Annals of Congress*, 17 Congress, 1 Session, 2586; *United States Statutes at Large*, III, 659.

<sup>9</sup> *House Journal*, 1822-1823, 13.

<sup>10</sup> *Laws of Illinois*, 1823, 152.

<sup>11</sup> *Report of the Canal Commissioners of Illinois to Governor John R. Tanner*, 1900 (Springfield, 1901), 61. This report has included on pages 60 to 214 inclusive a reprint of all the documents relating to the history of the Illinois and Michigan Canal from 1822 to its completion. Cited hereafter as *Report of the Canal Commissioners*, 1900.

gineers placed the cost at from \$639,000 to \$713,000 for the work.<sup>12</sup>

In his message of November 26, 1824, Governor Edward Coles suggested that a fund be created and that the state undertake construction of the canal.<sup>13</sup> The members of the legislature, however, could see no means available for construction by the state. The committee on internal improvements of the house reported a bill which was enacted into a law on January 17, 1825, whereby a private corporation was created consisting of Edward Coles, Shadrach Bond, Justus Post, Erasmus Brown, William S. Hamilton, Joseph Duncan, and John Warncock, who were to receive all lands which the United States might grant and all donations which private persons and the various states might make in aid of the undertaking.<sup>14</sup> This Illinois and Michigan Canal Company, which was to have a capital of \$1,000,000, was to complete the canal by January 1, 1835. All tolls were to go to the company for fifty years, after which the state might buy the canal for the sum expended on its construction plus six per cent interest annually. The canal was to have a width of forty feet at the top, twenty-eight feet at the bottom, and a depth of at least four feet.

The plan providing for the construction of the canal by a private company met with strong opposition from friends of internal improvements owned and controlled by the state. Congressman Daniel P. Cook, Illinois' lone delegate in the House of Representatives bore the brunt of the attack. In an address published in the *Illinois Intelligencer* on November 15, 1825, he urged a repeal of the act. He outlined a plan whereby the state might construct the canal by borrowing money on the credit of the school lands and the three per cent school fund. He also suggested that a grant of land from the national government and the probable increase of population and of commerce would enable the state to finance the canal from the tolls received. In taking a stand against the private company he argued that it would be dangerous to allow a transportation

<sup>12</sup> *Senate Journal*, 1824-1825, 17; *House Journal*, 1825-1826, 80.

<sup>13</sup> *Senate Journal*, 1824-1825, 17.

<sup>14</sup> *House Journal*, 1824-1825, 229, 295; *Laws of Illinois*, 1825, 184.

monopoly in private hands. He further pointed out that the private company might get control of the politics of the state. The *Edwardsville Spectator* took up Cook's arguments and called attention to the fact that even the friends of the act had to admit that its provisions were too unfavorable to the state.<sup>15</sup> Even on such favorable terms capitalists would not buy the company's stock without a grant of land from Congress.<sup>16</sup> The directors of the company, having failed to dispose of the stock and believing that Congress would be more willing to make a donation of land to the state than to a company, surrendered their charter on January 12, 1826.<sup>17</sup> The legislature which was meeting in special session to redistrict the state repealed the canal act two weeks later.<sup>18</sup>

In the meantime Cook had made repeated attempts in Congress to get a bill passed for a grant of land to the state. There was a current feeling in Illinois that members in Congress from Louisiana and Mississippi fought against the grant because they feared that trade would be deflected from New Orleans, should the Illinois and Michigan Canal be constructed.<sup>19</sup> John C. Calhoun opposed the grant because he wanted the other states to have a part in the enterprise.<sup>20</sup> In spite of this opposition, repeated memorials from the state legislature and renewed efforts on the part of Cook resulted in the act of March 2, 1827, whereby Congress granted the state one-half of the land to a depth of five sections on each side of the projected canal, reserving each alternate section for the United States.<sup>21</sup> The canal, to be begun in five years and completed in twenty, was to be a highway open to the United States government without toll. Throughout the state of Illinois the grant was regarded as a brilliant triumph for those

<sup>15</sup> *Edwardsville Spectator*, December 3, 1825.

<sup>16</sup> *House Journal*, 1826, 15.

<sup>17</sup> *Senate Journal*, 1826, 41.

<sup>18</sup> *House Journal*, 1826, 41, 57, 75, 103.

<sup>19</sup> *Illinois Intelligencer*, March 25, 1825.

<sup>20</sup> *The Edwards Papers; Being a portion of the Letters, Papers, and Manuscripts of Ninian Edwards*, E. B. Washburne, editor (Chicago Historical Society's Collection, III, Chicago, 1884), 267. Cited hereafter as *Edwards Papers*.

<sup>21</sup> *House Journal*, 1826-1827, 121; *Congressional Debates*, 1826-1827, appendix, 18.

favoring a liberal internal improvement policy on the part of the national government.<sup>22</sup>

At the following session of the state legislature, Governor Ninian Edwards proposed that the canal be constructed on a loan which might be effected on a pledge of the canal lands.<sup>23</sup> On January 29, 1829, an act was passed which provided for a board of commissioners, who were to fix the route of the canal, select the alternate sections of land granted by the national government, and, after having laid off the land in tracts and town lots, sell it at public sale.<sup>24</sup> With the funds thus obtained, the commissioners were to construct a canal forty feet wide at the summit water line, twenty-eight feet wide at the bottom, and four feet deep. Edmond Roberts, Gershon Jayne, and Charles Dunn, the commissioners selected under the act, proceeded to select the lands and have a survey made by a United States government engineer.<sup>25</sup> The towns of Chicago and Ottawa were laid out, and public sales held at Springfield on April 19, 1830, and at Chicago on September 27, 1830, to dispose of the lots.<sup>26</sup> Less than \$18,000 was obtained from the sale of lots and canal lands at these and subsequent sales.<sup>27</sup>

The canal project first became a political issue of importance in the gubernatorial election of 1830. The opponents of William Kinney tried to show that he could not be trusted on the canal issue. It was charged that he might at any time turn against the project for political expediency. He was accused of having delivered a speech against the canal in Union county in 1826 when he was a candidate for lieutenant-governor. John Reynolds, on the other hand, was declared to be a friend of the canal whether he be speaking at Galena or at the mouth of the Wabash river.<sup>28</sup> Reynolds was elected governor.

<sup>22</sup> *Illinois Intelligencer*, April 21, 1827.

<sup>23</sup> *House Journal*, 1828-1829, 8.

<sup>24</sup> *Laws of Illinois*, 1829, 14-18.

<sup>25</sup> *Illinois Gazette*, January 9, 1830; *Report of the Canal Commissioners*, 1900, 75-80.

<sup>26</sup> *Illinois Intelligencer*, April 10, 1830; *Kaskaskia Democrat*, June 30, 1830; *Illinois Gazette*, March 6, September 25, 1830.

<sup>27</sup> Seven lots in Ottawa sold for \$162.00, one hundred twenty-four lots in Chicago for \$4,357.00, and 10,746.17 acres of land for \$14,405.83. *Report of the Canal Commissioners*, 1900, 87.

<sup>28</sup> *Kaskaskia Democrat*, June 30, 1830; *Illinois Gazette*, July 24, 1830.



The canal act of 1829 proved to be unworkable, and in 1831 the general assembly amended it.<sup>29</sup> The governor was to appoint one of the commissioners as an acting commissioner who was to be constantly employed on the canal route so as to increase the efficiency of the board. This revised act raised the question of the practicability of improving the navigation of the Illinois river by dams and locks below the Fox to the rapids in lieu of the lower section of the canal, and suggested the use of the Calumet as a feeder between the Chicago and Des Plaines rivers. It also raised the important question whether a railroad might not be of more public utility than a canal.

The suggestion that a railroad might be built instead of a canal started a discussion which continued for several years. James Bucklin, an engineer employed by the commissioners to examine the canal route, reported that a canal would be too expensive and would present engineering difficulties.<sup>30</sup> He thought the route extremely favorable for the construction of a railroad. Bucklin computed the comparative costs at \$1,601,695.83 for a canal elevated ten feet at the summit level and fed by feeders, \$4,043,086.50 for a canal at the lake level, and \$1,052,488.19 for a railroad.

At a meeting of St. Clair county citizens assembled at Belleville on January 14, 1832, resolutions were adopted expressing the sentiment that a railroad was preferable to a canal.<sup>31</sup>

<sup>29</sup> *House Journal*, 1830-1831, 395, 479, 518, 545; *Laws of Illinois*, 1831, 39. Meanwhile the citizens of Alton had become highly enthusiastic over the prospect of an Illinois and Michigan canal. The *Illinois Advocate* reported on October 21, 1831, that a Mr. Enoch C. March had recently brought goods to St. Louis from New York by way of the Erie Canal and the Lakes to Chicago, whence they were transported in wagons to the Illinois rapids, and then by steamboat to St. Louis in twenty-five days. This was about two-thirds of the time required to send them over the mountains or by way of New Orleans. The expense was one-third less than by New Orleans. This report led a citizen to write the editor that the Illinois and Michigan canal would open a new and extensive market competing with New Orleans for all agricultural products of Illinois. The writer further stated that Alton, because of the peculiar advantages of its location, was destined for a rapid growth, and to an early successful rivalry with St. Louis itself. Alton would command the trade of the upper Mississippi and the Illinois with all their tributary streams, since it occupied the first and only satisfactory site on the Mississippi below the mouth of the Illinois river above St. Louis. *Illinois Advocate*, November 11, 1831.

<sup>30</sup> *House Journal*, 1834-1835, 225-32; *Illinois Advocate*, October 7, 1831; *Sangamo Journal*, December 29, 1831.

<sup>31</sup> *Sangamo Journal*, January 26, 1832; *Illinois Advocate*, February 24, March 2, 1832.

J. H. Pugh, the acting canal commissioner, made a long report in which he gave arguments favorable to a railroad.<sup>32</sup> He contended that a railroad would cost less than \$800,000, while the canal would cost two or three million dollars. He went on to show that a canal would present almost insurmountable engineering problems because of the difficulty of getting a feeder at the summit and the excavation through rock for much of the route.

Various proposals were made at this time to turn the canal lands over to a private company which would construct a railroad. The *Illinois Patriot* presented a plan whereby a railroad would be constructed by a company with the state a stockholder.<sup>33</sup> At a public meeting held at Vandalia on January 24, 1832, resolutions were passed expressing the view that the work ought to be done by an incorporated company.<sup>34</sup> Governor Reynolds in his message to the legislature on December 4, 1832, expressed the opinion that a railroad constructed by a chartered company was the only plan for accomplishing a communication between Lake Michigan and the Illinois river which gave any promise of success.<sup>35</sup>

In the general assembly session of 1832-1833 the railroad project appeared to be gaining favor in preference to a canal. On December 20, a memorial was sent to Congress requesting an act enabling the state to apply the donation of land made in 1827 to a turnpike or railroad instead of a canal.<sup>36</sup> It was explained that since the passage of the act of March 2, 1827, the state had caused the route of the canal to be surveyed and the cost of the work to be estimated, from which it appeared that the expense would greatly exceed the amount originally contemplated; that a railroad or turnpike would be less expensive and could be constructed in much less time. Congress very obligingly responded with an act on March 2, 1833, by which the state was authorized to use the lands granted for the canal in building either a railroad or canal as the legisla-

<sup>32</sup> *Sangamo Journal*, July 12, 1832.

<sup>33</sup> Reprinted in the *Sangamo Journal*, February 9, 1832.

<sup>34</sup> *Ibid.*, March 8, 1832.

<sup>35</sup> *House Journal*, 1832-1833, 21.

<sup>36</sup> *Ibid.*, 1832-1833, 139.

ture might elect.<sup>37</sup> The time for commencing and completing the work was extended for five years.

The legislature in the meantime repealed all laws providing for the construction of a canal. The board of canal commissioners was abolished, and its incumbents were required to pay over all money in their possession belonging to the canal fund to the treasurer of the state, and to turn over to the auditor of public accounts all papers, vouchers, and books of their transactions.<sup>38</sup>

The attorney-general, auditor, and treasurer were required to examine and adjust the books of the canal commissioners. The report to the legislature on August 30, 1834, by James Semple, attorney-general, James T. B. Stapp, auditor, and John Dement, treasurer, disclosed a balance of \$1,988.77 against the treasurer of the canal commissioners.<sup>39</sup>

A bill to incorporate an Illinois and Michigan railroad company passed the house, but was tabled by the senate.<sup>40</sup>

During 1833 little interest was displayed in either a canal or railroad except in the northern part of the state. At a public meeting of Cook county residents held at Chicago on August 7, a committee of five was appointed to draft a resolution to be addressed to the governor, calling upon him to convene the legislature during the winter for the purpose of adopting measures to begin an Illinois and Michigan rail-

<sup>37</sup> *Congressional Debates*, 1832-1833, appendix, 26; *United States Statutes at Large*, IV, 662.

<sup>38</sup> *Laws of Illinois*, 1833, 113. The failure of the commissioners to raise funds from the sale of canal lands is well demonstrated in the report made by James B. Campbell, treasurer of the board of canal commissioners:

Monies received on sales of canal lands in 1830.....	\$13,704.64	¾
Monies received on sales of canal lands in 1831.....	500.23	
Monies received on sales of canal lands in 1832.....	4,594.00	
<hr/>		
Total amount received on sales of canal lands.....	18,798.87	¾
Payments made by the treasurer.....	14,704.07	
<hr/>		
Balance left after payments by the treasurer.....	4,094.80	¾
Unpaid orders of the board on treasury to		
February 12, 1833 .....	1,269.00	
<hr/>		
Balance after payment of outstanding orders .....	\$ 2,825.80	¾

*Sangamo Journal*, March 2, 1833.

<sup>39</sup> *Senate Journal*, 1834-1835, 96.

<sup>40</sup> *House Journal*, 1832-1833, 633, 726.



road.<sup>41</sup> The *Sangamo Journal* pointed out that there was not enough money in the treasury to pay the expense of an extra session.<sup>42</sup> The *Galenian*, however, was optimistic about obtaining funds for internal improvements from England. In an editorial on November 8, 1833, the paper asserted that:

It appears from an extract, this day published from a London paper that large sums of money can be had in England at 4%, by any of the United States, who may wish to expend the same on internal improvements. Why then, should the Illinois and Michigan railroad or canal, be longer delayed? The legislature should be forthwith convened for the purpose of having that necessary work immediately commenced. The present want of funds is no reason for longer delay, when they can be so easily obtained and if a much higher percent were required we still say let the work proceed. The present population of our state have undergone all the labors, and endured all the privations incident to the settlement and improvement of a new country for which they can never be repaid. All they have done and suffered will redound to the benefit of posterity. The succeeding generation, therefore, enjoying all the advantages of the labors of their fathers, may be justly made responsible for any debts incurred for the improvements, so necessary to the present and future prosperity of our state.

The *Chicago Democrat*, established in November, 1833, took up the canal project as one of its chief objectives. In an editorial on December 24, the new paper pointed out to the farmers of southern and western Illinois that they should want the canal as an outlet to the eastern market for their produce.

Closely related to the canal project was the problem of constructing a harbor at Chicago. As early as 1829, Edmond Roberts of the canal commission had discussed the need of harbor facilities at the Lake Michigan end of the projected canal. In a letter to Governor Edwards on December 4, he pointed out that an appropriation from Congress for the construction of a harbor at the mouth of the Chicago river would have a beneficial effect on the sale of the canal lands.<sup>43</sup> The

<sup>41</sup> *Sangamo Journal*, September 28, 1833; *Illinois Advocate*, September 28, 1833.

<sup>42</sup> *Sangamo Journal*, August 17, 1833.

<sup>43</sup> Edmond Roberts to Ninian Edwards, December 4, 1829, *Edwards Papers*, 465.

endeavors of the Illinois delegation in Congress resulted in an appropriation for a Chicago harbor, construction of which was undertaken in 1834.<sup>44</sup> The mouth of the Chicago river was dredged to a width of eighty feet and to a depth of seven or eight feet, and a pier was constructed extending into the lake on the north side of the river. The improved harbor facilities resulted in a rapid increase in the number of vessels making Chicago a port of call.<sup>45</sup>

The canal project again received vigorous support during 1834. On June 28, George Forquer sent a communication to the *Sangamo Journal* outlining a proposal for the incorporation of a company to construct the canal on the following terms: the company to own the canal for fifty years, the tolls to be fixed by law, the state to surrender to the company all her canal lands, the company to finish the work within six years, and the state to reserve to herself the right to purchase the canal of the company at any time after ten years from its completion at cost and six per cent interest less the value of the canal lands. The *Chicago Democrat* clung persistently to the idea of a canal constructed and owned by the state.<sup>46</sup> It charged that the proposal for a railroad constructed by a private company was the scheme of New York speculators who wanted the canal lands donated to a company which they would control. The cost of a canal could not possibly be more than \$2,000,000, the *Democrat* claimed. It contended that James Bucklin's estimate on the cost of a railroad was far too low. Most people of Chicago appeared to prefer a canal to a railroad. Residents of the city assembled at a public meeting on October 30, 1834, decided in favor of a canal after a discussion on the comparative advantages of railroads and canals.<sup>47</sup> A memorial was adopted recommending that the state borrow the money and construct the canal.

Joseph Duncan, elected governor in 1834, was one of the

<sup>44</sup> *Chicago Democrat*, February 18, August 13, 1834; *United States Statutes at Large*, IV, 703.

<sup>45</sup> *Chicago American*, September 26, November 21, December 5, 1835.

<sup>46</sup> *Chicago Democrat*, April 30, November 19, December 17, 1834; *Sangamo Journal*, November 29, 1834.

<sup>47</sup> *Ibid.*, November 22, 1834.

warmest advocates of a canal constructed by the state. In his inaugural address he presented a lengthy argument on the advantages of a canal over a railroad.<sup>48</sup> He pointed out that a canal would give great commercial advantages to the territory lying within the basins of Lake Michigan and the Illinois and Mississippi rivers, and that farmers could carry their own products to market and would thus be independent of the monopoly of railroad transportation. He suggested that the canal be made sufficiently wide for steamboat navigation, with the exception of the summit level where the cut could be made wider at a later date. His confidence in the success of the project was so great that he anticipated more revenue from the tolls than would be needed for the canal, and suggested that the surplus might be appropriated for the purpose of education.

In the session of the legislature during 1834 and 1835 most members were agreed that something should be done, but there was great diversity of opinion as to how it was to be accomplished. First, there was the question of whether a railroad or canal should be built, secondly the question of whether the construction should be done by a company or by the state, and, finally, the question of whether the faith of the state or merely the canal lands were to be pledged to the enterprise if the state were to undertake construction. The committee on internal improvements of the house reported that a canal would be preferable to a railroad, and expressed the opinion that such work ought to be owned and controlled by the state.<sup>49</sup> The same committee of the senate also declared in favor of a canal, but it recommended that the construction be by a private company.<sup>50</sup> When a bill was introduced providing for the construction of a canal by the state with a loan on which the credit of the state was pledged a heated debate ensued. The opponents of state credit argued that if the canal lands were as valuable as was claimed they should be sufficient to attract the required capital. The supporters of the measure replied that

<sup>48</sup> *House Journal*, 1834-1835, 28-31.

<sup>49</sup> *Ibid.*, 1834-1835, 229.

<sup>50</sup> *Senate Journal*, 1834-1835, 228-35.

eastern capitalists were not aware of the true value of the lands. The bill was amended before it passed on February 9, 1835, so that the credit of the state was not pledged.<sup>51</sup> Thomas Ford in his *History of Illinois* states that the amendment was passed because Governor Duncan delivered a special message to the legislature in which he declared that the loan could be obtained upon the pledge of canal lands alone.<sup>52</sup> The opposition against the canal act came chiefly from the members of the legislature representing the southern portion of the state. There may have been some truth in the charge of the *Chicago Democrat* that the southern part of the state was against any enterprise which would help the progress of the north, since the final vote on the canal bill shows a strictly north and south division.<sup>53</sup>

The canal act authorized the governor to negotiate a loan not to exceed \$500,000, "solely on the pledge of the canal lands and tolls"; and the stock to be called the "Illinois and Michigan Canal Stock," and in no case to be sold for less than par.<sup>54</sup> A canal board of five commissioners, to be appointed by the governor with the advice of the senate, was created to construct a canal forty-five feet wide at the surface, thirty feet wide at the base, and of sufficient depth to insure a navigation of at least four feet.

Ex-Governor Edward Coles was appointed president of the board of canal commissioners, and delegated to negotiate the loan.<sup>55</sup> He found that eastern capitalists were unwilling to subscribe to the loan because the state had failed to pledge its faith for the payment of principal and interest.<sup>56</sup> Since interest rates in this country at that time were higher than five per cent, it would be necessary ultimately, to dispose of the

<sup>51</sup> *House Journal*, 1834-1835, 459, 470, 501, 503, 519; *Senate Journal*, 1834-1835, 249, 483, 484.

<sup>52</sup> Thomas Ford, *History of Illinois* (Chicago, 1854), 180; *Senate Journal*, 1834-1835, 223.

<sup>53</sup> *Chicago Democrat*, December 24, 1834. The final vote in the house was 40 to 12, with only southern members voting against the bill, *House Journal*, 1834-1835, 503.

<sup>54</sup> *Laws of Illinois*, 1835, 222-29.

<sup>55</sup> Letter of Governor Duncan to Coles, March 20, 1836, *House Journal*, 1835-1836, 12, 13.

<sup>56</sup> *Chicago Democrat*, May 27, 1835; *Illinois Advocate*, June 10, 1835.

stock in Europe where money was available at that rate. European bankers, however, would not make a loan with under-developed lands in the interior of the United States as the only security.<sup>57</sup> The financiers could not be expected to take Illinois lands without the backing of state credit since other states had pledged their faith in support of loans for similar purposes.<sup>58</sup>

On April 28, 1835, Coles wrote Governor Duncan that he had become convinced that the loan could be raised only on a pledge of the faith of the state for the payment of the principal and interest.<sup>59</sup> When this information reached the state, friends of the canal began to agitate for a special session of the general assembly that a law might be passed to make the canal act conform with the wishes of the financiers. For this purpose and to reapportion the state, Governor Duncan convened a special session of the legislature in December, 1835. The governor, in his message, displayed an unbounded optimism in the canal enterprise.<sup>60</sup> He recommended a loan on the faith of the state and the sale of canal lands from time to time to pay the interest. He called attention to the prices received by the federal government at the sale of its alternate sections of land along the canal route in the previous June, and estimated the value of the lands and town lots owned by the state at from one to three million dollars. Thus, he concluded that the debt could in no case become a charge on the state treasury. He went on to point out that he had but recently left Congress, and thought he knew the disposition of that body well enough to count on an additional grant of land if it should be found that the donation already made was not sufficient to pay all the expenses incurred in the construction of the canal.

The legislature displayed the same enthusiasm as the governor. The senate committee on internal improvements presented a report which recommended that a loan be negotiated on the credit of the state.<sup>61</sup> The committee estimated the total

<sup>57</sup> *House Journal*, 1835-1836, 14-18.

<sup>58</sup> Letter of John Delafield to Coles, April 20, 1835, *Ibid.*, 1835-1836, 19-21.

<sup>59</sup> *Ibid.*, 1835-1836, 14-18.

<sup>60</sup> *Senate Journal*, 1835-1836, 7.

<sup>61</sup> *Ibid.*, 1835-1836, 97-103.



value of all canal lands and lots at \$1,909,415.00, and believed that this sum with the income of the water power which would be developed would be entirely sufficient for the suggested plan of financing the canal. The debates on the bill which was introduced turned on the question as to whether the canal commissioners should be elected by the joint ballot of the two houses of the legislature or whether they should be appointed by the governor with the advice of the senate. If the Whig accounts are to be believed the Democrats wanted election by the legislature so that they could place their own partisans in office since they were in control of both houses.<sup>62</sup>

The act as finally passed on January 9, 1836, made provisions for the negotiation by the governor of a loan of \$500,000, reimbursable in 1860, with interest at six per cent payable annually, and "the faith of the state was irrevocably pledged for the payment of the stock thus created, and the interest accruing thereon."<sup>63</sup> The money borrowed, the premiums arising from the sale of stock, the proceeds of the canal lands and lots, and all revenue arising from the canal, were to constitute a fund to be used for canal purposes, and for no other. A board of three canal commissioners, to be appointed by the governor with the advice of the senate, was created. The commissioners, removable for cause, were to hold office until January 1, 1837, after which they were to be appointed biennially as the legislature should direct. One of the commissioners, who was to be designated as the acting commissioner and general superintendent, was to receive a salary of \$1200 annually. The other two commissioners, who were to act as president and treasurer, respectively, were to be paid three dollars per day when actually employed.

The canal was to be not less than forty-five feet wide at the surface, nor less than thirty feet at the base, and was to have a navigable depth of at least four feet of water. It was to be supplied with water from Lake Michigan and such other sources as the commissioners might think proper. Immediate

<sup>62</sup> *Sangamo Journal*, December 19, 1835.

<sup>63</sup> *Senate Journal*, 1835-1836, 106, 181, 221; *Laws of Illinois*, 1836, 145-54.



steps were to be taken for the construction of the canal. The commissioners were to hold public sales of town lots in Chicago and Ottawa. Townsites were to be selected along the route of the canal and laid off into lots to be sold.

Governor Duncan proceeded to appoint a canal board consisting of General William F. Thornton of Shelby county as president, Colonel Gurdon S. Hubbard of Cook county as treasurer, and William B. Archer of Clark county as the acting commissioner. The senate approved the appointments on January 13, 1836.<sup>64</sup> The board organized at Vandalia on January 15, and at the first meeting appointed Joel Manning of Jackson county as its secretary. At a subsequent meeting Edward Smith of Wabash county and Edward B. Talcott of Chicago were appointed assistant engineers, and the acting commissioner was authorized to engage the services of William Gooding as chief engineer, which was done shortly afterwards.<sup>65</sup>

The commissioners soon became convinced that the magnitude of the undertaking had been generally miscomprehended. The largest estimate that had been previously made was that by James Bucklin for \$4,043,066.50 as the cost of a canal fed by Lake Michigan. The commissioners soon became satisfied that four million dollars would be wholly inadequate, and before they had determined on any definite plan, they saw that if the spirit of the law stipulating that "the canal shall be supplied with water from Lake Michigan, and such other sources as the commissioners may think proper," was to be adhered to, double that sum would be required. After the consideration of a number of plans, the commissioners adopted the advice of William Gooding to construct a lake-fed canal sixty feet wide at the water level, thirty-six feet wide at the bottom, and deep enough to maintain a minimum of six feet of water. The cost of such a canal was estimated at \$8,654,377.51 by Gooding.<sup>66</sup> The commissioners adopted the

<sup>64</sup> *Senate Journal*, 1835-1836, 294, 295.

<sup>65</sup> Letter of W. F. Thornton to Joel Manning, January 15, 1836, *Illinois and Michigan Canal Letter-Book*, 1836-1845, 1; letter of W. B. Archer to William Gooding, January 19, 1836, *ibid.*, 5; letter of Joel Manning to Edward Smith, April 6, 1836, *ibid.*, 7; letter of Joel Manning to Edward B. Talcott, April 6, 1836, *ibid.*, 8.

<sup>66</sup> *Report of the Canal Commissioners*, 1900, 118-29.

deep-cut plan because they felt that the additional expense involved in building the canal larger in the beginning was justified because a forty foot canal would in all probability have to be enlarged within a number of years and would be far more costly than the original work. The work on the canal was laid out into divisions. The Summit division was thirty-four miles and 35.78 chains long, the Middle division was thirty-seven miles and 55.80 chains long, and the Western division was 29 miles and 55.20 chains long, making a total of 101 miles and 66.78 chains for the total length of the canal.<sup>67</sup>

The commissioners thought it a good policy to begin construction at Chicago because they were required by the canal act to hold a sale of lots at that place on June 20, 1836, and it was naturally assumed that the lots would bring higher prices if active operations were going on there at the time of the sale. Accordingly on June 6, contracts were awarded for eighteen sections of the Summit division. The commissioners had intended to contract for more, but since the proposals on many sections were far above the estimates of the engineers, they had to be rejected. The abnormally high prices of provisions and supplies and high wages prevailing at the time resulted in much hardship on the contractors. A number of the contracts had to be abandoned, although such an act entailed the forfeiture of a penal bond amounting to five per cent of the original contract.<sup>68</sup>

The first ground for the canal was broken on July 4, 1836, amid imposing ceremonies.<sup>69</sup> The occasion was publicly celebrated at Chicago by a large assembly of people before whom speakers pictured in glowing colors the future of Chicago and the state of Illinois. Not much progress was made upon the construction of the canal during 1836. The operations were chiefly confined to preparatory work, such as building houses for the laborers, erecting machinery, and procuring implements and other supplies.<sup>70</sup> A large part of the canal route

<sup>67</sup> Each division was subdivided into sections of varying length.

<sup>68</sup> *Ibid.*, 1900, 115.

<sup>69</sup> *Chicago Democrat*, July 6, 1836.

<sup>70</sup> *Report of the Canal Commissioners*, 1900, 143.

lay through marshy ground, inundated in the spring and fall, rendering it difficult of access. The amount of money which had to be expended on roads leading to the work was very high. The region in the vicinity of the canal route was sparsely settled, and lacked many of the essential materials required by the contractors, such as tools and machinery, gun-powder for blasting rock, chains and cordage for pumps, cranes and railways, and staple provisions for the sustenance of the workmen. A large part of the supplies had to be imported from the eastern seaboard.

Before the summer of 1836 was far advanced, the commissioners decided that some more work must be placed under contract or very little progress would be made upon the canal for the year. On August 14, work on the Western division was advertised for contract, and on October 20, proposals were accepted at a small advance upon the estimates for twelve sections, including the steamboat basin.<sup>71</sup> The scarcity of laborers and floods in the Des Plaines valley prevented much progress being made on either portion of the work under contract during late summer and fall months.<sup>72</sup> In an effort to attract laborers to the canal work, the commissioners had advertisements inserted in eastern papers offering wages of from \$20 to \$26 per month.<sup>73</sup>

No difficulty was experienced in obtaining funds for the canal during its first year. In January, Governor Duncan secured a loan of ten thousand dollars at six per cent interest from the State Bank of Illinois.<sup>74</sup> The amount was amply sufficient to meet all necessary expenses prior to the June sale of the Chicago lots, when the bank was reimbursed in principal and interest. Of the \$500,000 loan authorized by the canal act, Governor Duncan negotiated \$100,000 in New York at a premium of five per cent, which he thought too low and de-

<sup>71</sup> *Illinois State Register*, September 2, 1836; *Report of the Canal Commissioners*, 1900, 143.

<sup>72</sup> Quarterly report of the canal board to the governor, May 8, 1837, *Senate Journal*, 1837, 28.

<sup>73</sup> *Niles Register*, L, 388.

<sup>74</sup> Letter of Governor Duncan to Thomas Mather, president of the State Bank, January 9, 1836, letter of Thomas Mather to Governor Duncan, January 9, 1836, *Illinois and Michigan Canal Letter-Book*, 1836-1845, 1-3.

clined a larger amount at that rate.<sup>75</sup> The sales of lots had very different results than those of 1830. The real estate market in Chicago was in the midst of an extraordinary boom which the prospect of an early construction of the canal served to intensify. The sale held at Chicago on June 20, resulted in the disposal of 415 lots, many of which brought a substantial amount above the valuation. Of these, forty were forfeited because the purchaser failed to make the first payment under the terms of sale which provided for one-fourth cash and the residue in three annual installments bearing six per cent interest, payable annually, in advance. After deducting for forfeitures, the sale amounted to \$1,355,755, one-fourth of which, together with a year's interest on the other three-fourths, was paid to the treasurer and by him deposited in the branch of the State Bank at Chicago. The sale at Ottawa took place on September 26, when seventy-eight lots were offered and all sold for a total of \$21,358, more than \$2000 in excess of the valuation. The cash received, amounting to \$6,300.65, was deposited in the bank by the treasurer of the canal board. The State Bank made possible the heavy sales of lots by granting the purchasers liberal loans for making the first payment.<sup>76</sup> Thus even the first payment in many cases was made with borrowed money. Many purchasers found themselves in difficulty when the next installments came due because the tightening of the money market and the generally unsettled financial conditions in 1837 prevented further borrowing from the State Bank or from other sources.<sup>77</sup>

The bright prospects for a rapid progress on the canal con-

<sup>75</sup> He sold the remaining \$400,000 in 1837. Message of Governor Duncan, December 9, 1836, *House Journal*, 1836-1837, 15.

<sup>76</sup> *Illinois State Register*, May 27, August 12, 1836; *Sangamo Journal*, July 9, 1836; *Report of the Canal Commissioners*, 1900, 116.

<sup>77</sup> During a special session of the legislature in 1837 an act was passed for the relief of purchasers of canal lands and lots who were in default to the state so that their purchases would not be forfeited as provided by the canal act of January 9, 1837. The act approved on July 12, 1837, provided that purchasers in default could make payment to the state as follows: On October 1, 1837, pay all interest due upon their debts according to the terms of sale; on October 1, 1838, and October 1, 1839, pay the interest due and 10 per cent of the principal which may be due; and on October 1, in each and every year thereafter, pay the interest due and 20 per cent upon the principal until the whole amount shall be paid. *Laws of Illinois*, 1837, special session, 9-10.

struction were considerably dimmed during the 1836-1837 session of the legislature when an attack was made upon the deep-cut plan adopted by the commissioners as being entirely impracticable because it was beyond the financial ability of the state to accomplish. The house committee on internal improvements in a report made on January 21, 1837, claimed that the plan for the canal adopted by the commissioners should be changed because, the sum which would have to be expended in building the canal was too large, the time required for construction would be unduly long, great difficulties of construction would be encountered, and a better plan could be adopted.<sup>78</sup> The committee placed the cost of the canal at \$13,253,875.15, or over four and a half million more than the estimate of Engineer William Gooding. It proposed that the Calumet river be used as a feeder rather than the deep-cut on the Summit level, and that the canal should terminate at Lake Joliet, slack water navigation to be provided by means of locks and dams in the Des Plaines river. The recommendations of the committee resulted in an act being passed on March 2, 1837, to amend the "act for the construction of the Illinois and Michigan Canal" of January 9, 1836.<sup>79</sup> The amended act provided that the commissioners should require a survey of the canal route by a competent engineer to ascertain the practicability of changing from a deep-cut to a canal fed by feeders on the Summit division.<sup>80</sup> Benjamin Wright of New York, was accordingly appointed as the special engineer to resurvey the canal route,<sup>81</sup> and in a report submitted to the board of canal commissioners on October 28, 1837, Wright warmly supported the deep-cut plan, and recommended the completion of the work on the plan adopted by the commissioners.<sup>82</sup>

The act of March 2, 1837, supplementing the canal law of January 9, 1836, provided for other changes in addition to

<sup>78</sup> *House Journal*, 1836-1837, 329-59.

<sup>79</sup> The bill passed the house by a vote of 78 to 2. *Ibid.*, 1836-1837, 663.

<sup>80</sup> *Laws of Illinois*, 1837, 40.

<sup>81</sup> Letter of William F. Thornton to Benjamin Wright, July 4, 1837, *Illinois and Michigan Canal Letter-Book*, 1836-1845, 40.

<sup>82</sup> *Report of the Canal Commissioners*, 1900, 173-92.



the resurvey of the canal route.<sup>83</sup> The governor was to negotiate a further loan of \$500,000, when advised of its necessity by the commissioners. Additional sales of Chicago lots were also to be undertaken to the amount of \$1,000,000. In order to promote competition between the contractors, no bond was to be required, but from fifteen to thirty per cent on the estimates was to be reserved until the final completion of their jobs. The judge of the circuit court was authorized to appoint three commissioners who were to act as a board for the appraisement and determination of all questions of damages arising from the construction of the canal. Finally, the canal commissioners were to be elected by a vote of both houses of the legislature in joint session, and subject to its control, instead of receiving their appointment from the governor and being subject to his control, as their predecessors had been. The new board of canal commissioners, elected by the legislature on March 3, 1837, consisted of William F. Thornton, president, Jacob Fry, acting commissioner, and John A. McClelland, treasurer.<sup>84</sup>

By 1837 the Illinois and Michigan Canal was but one of a great number of works which the state had undertaken for the development of its transportation facilities. How the legislature in 1836-1837 adopted a general system of internal improvements to be constructed by the state when private capital had failed to appear in sufficient abundance to develop the numerous projected works, is a long story, involving such factors as the delusive spirit of speculation rampant in 1836 engendered by a redundant paper money circulation, the activities of the speculators and local interests, the newspaper agitation, and the fear of being outstripped in economic progress by other states which had adopted public works programs.

<sup>83</sup> *Laws of Illinois*, 1837, 39-44.

<sup>84</sup> *Senate Journal*, 1836-1837, 612-15.



### CHAPTER III

## EVOLUTION OF THE GENERAL SYSTEM OF 1837

THE year 1836 marks the zenith of a speculative boom which had been gathering momentum throughout the country for several years. The substitution of a loose system of unlimited credit for old conservative banking and business methods fostered a spirit of speculation which seized people in all walks of life. The inflated paper currency of the state banks brought a rise in prices which gave a false conception of values. People everywhere were diverted from sane business operations by the expectation of making a fortune out of speculative deals. The demand for land and town lots became a near-madness. Normally conservative businessmen, farmers, lawyers, mechanics, and day laborers believed that every plot of ground which they might buy could be sold in a few months or a year at fabulous prices. They had become dissatisfied with the slow, scant profits of legitimate, patient industry, and were infected with the lure of quickly acquired wealth.

In Illinois, the speculative boom struck first at Chicago, and was the means of building up that place from a mere trading post into a city of several thousand inhabitants in three or four years. A sleepy village was suddenly transformed into a bustling city. Scores of new buildings were put up every month.<sup>1</sup> The stories of sudden fortunes circulating in the east brought an influx of strangers greatly in excess of the city's living accommodations. A scarcity of provisions sent prices skyrocketing. The mad scramble for town lots caused them to double and even triple in price during the course of a few months. For example, lots which sold for \$9,000 early in 1835 were held for \$25,000 by the end of the year.<sup>2</sup> Few people bought for

<sup>1</sup> *Chicago Democrat*, June 18, 1834.

<sup>2</sup> *Chicago American*, August 15, 1835; January 2, 1836.

cash or with the idea of placing a building on the lot; their one aim was but to resell at a greatly advanced price.

The speculative spirit spread to all parts of the state. The rapid development of Chicago inspired emulation by other towns, and resulted in the plotting of new towns all over the state. Public land sales in Illinois increased at an astounding rate. From 354,010 acres entered in 1834, the amount increased to 2,096,623 acres in 1835, and to 3,199,703 acres in 1836.<sup>3</sup> Only a small part of the purchases were made by actual settlers. Speculators bought the land with the idea of reselling it to emigrant farmers or of plotting it into towns and disposing of the lots at public sale. Frequently, maps of the new towns were taken to eastern cities and auction sales of lots held far from the place of location. In many cases a few buildings were erected in such boom towns only to be abandoned when the depression came. An account of all the dead towns of Illinois which lived for a short time during the thirties would make a voluminous and very interesting chapter in the state's history.

The wave of speculation created an optimistic spirit in the people of Illinois which led them to undertake the construction of a system of internal improvements in 1837 far in excess of the state's resources. The farmers and businessmen as well as the speculators felt that the great need of the state to assure its future prosperity was an improved means of transportation, to facilitate immigration, and to bring the interior within the range of markets. It was thought that a general system of internal improvements constructed on the credit and faith of the state would result in such a great added wealth as to make the payment of the debt very easy in the future. The sentiment of most people of the state was well summed up by the *Galenian* in the statement that "it will be more easy to raise one million of money 20 years hence, than the tenth part of that sum at the present time."<sup>4</sup> It seemed that the improved facilities of travel and transportation would so increase the popula-

<sup>3</sup> Theodore Calvin Pease, *The Frontier State, 1818-1848* (*Centennial History of Illinois*, II, Springfield, 1918), 177.

<sup>4</sup> *Galenian*, November 8, 1833.

tion and wealth of the state, and consequently its revenues, that payment of annual interest and speedy liquidation of the principal of the debt, would not be burdensome.

The example of the internal improvements undertaken by other states gave the people of Illinois an incentive to adopt similar measures. They could see no reason why Illinois should be permitted to lag behind other states in the development of transportation facilities. The level prairies of the state, they contended, were especially adapted for railroads and artificial waterways, and the construction of such works would be far less expensive here than in Massachusetts, New York, Pennsylvania, or Indiana. The *Chicago Democrat* pointed out that other states would far outstrip Illinois in wealth and prosperity, if she did not shake off her apathy.<sup>5</sup> The example of the Erie Canal, which was opened in 1825, seemed to furnish proof of the success that awaited state construction of internal improvements. So successful was the Erie Canal that the commissioners of the canal fund were able to announce in 1833 that they were then ready to pay off and cancel the stock which was not to be due until 1837. As an inducement to the holders of the stock to surrender it and receive payment four years before the period fixed for its redemption, the commissioners offered to pay a premium of five per cent upon the five per cent stock and a premium of eight per cent upon the six per cent stock of 1837.<sup>6</sup>

In 1825 and 1826, Pennsylvania began its extensive state system of roads and canals to reach the Ohio, the central part of New York, and the Great Lakes.<sup>7</sup> The main line of this system united Philadelphia with Pittsburgh by a horse railway to Columbia, then by canal along the Susquehanna river and its tributary, the Juniata, to Hollidaysburg, where stationary engines pulled cars over a series of inclined planes across the thirty-six miles of mountains, to the western section of the canal at Johnstown, and so along the Allegheny to Pittsburgh.

<sup>5</sup> *Chicago Democrat*, December 10, 1833.

<sup>6</sup> *Sangamo Journal*, October 5, 1833.

<sup>7</sup> *Illinois Advocate*, October 24, 1831; G. S. Callender, "The Early Transportation and Banking Enterprises in Relation to the Growth of the Corporations," *Quarterly Journal of Economics*, XVII, 133.

This system was in operation by 1835. According to reports reaching Illinois the Pennsylvania system was a great success.<sup>8</sup>

Ohio, too, had in 1825 undertaken a state system of canals connecting the Ohio river with Lake Erie.<sup>9</sup> The trunk line began at Portsmouth and followed the valleys of the Scioto and the Cuyahoga to Cleveland, while another canal connected Cincinnati with Dayton via the Miami river. By branches connecting with the Pennsylvania canals, this system of waterways gave Ohio alternative outlets for its surplus products. Transportation costs seemed to have been lowered considerably. Wheat which sold for 25 to 37 cents per bushel in central Ohio in 1825 brought double the amount in 1832 when the canal began to be effective, and it sold for a higher price a hundred miles west of Pittsburgh than it did sixty miles to the east of that city, where water transportation was lacking.<sup>10</sup>

When several of the neighboring states adopted internal improvement systems in 1836, the people of Illinois became uneasy lest their state suffer in the march toward progress. It was pointed out that immigrants would not come to a state which did not improve its transportation facilities. The *Illinois State Register* gave notice that a law had passed the legislature of Ohio, creating a board of public works for the construction of such canals, railroads, and turnpikes as the legislature might from time to time direct.<sup>11</sup> A law enacted in Maryland also received wide publicity in Illinois. The Maryland law provided for a system of internal improvements financed by an \$8,000,000 loan on the credit of the state.<sup>12</sup> Most disturbing to Illinois people was the fact that Indiana, their nearest neighbor, had embarked upon an extensive program of canal and railroad construction.

<sup>8</sup> *Sangamo Journal*, October 24, 1835.

<sup>9</sup> *Sangamo Spectator*, October (?), 1827; February 13, 1828; Callender, *loc. cit.*, 155.

<sup>10</sup> Ernest Ludlow Bogart, *Internal Improvements and the State Debt in Ohio* (New York, 1924), 83-85.

<sup>11</sup> *Illinois State Register*, April 22, 1836.

<sup>12</sup> The loan was to be spent on the following works: \$3,000,000 on the Baltimore and Ohio Railroad, \$3,000,000 on the Chesapeake and Ohio Canal, \$1,000,000 on the Eastern Shore Railroad, \$500,000 on a canal from the District of Columbia to Baltimore, and \$500,000 on a like canal to Annapolis, *Ibid.*, April 22, 1836; *Chicago Democrat*, June 29, 1836.

The internal improvement system adopted in Illinois in 1837 was not so hastily conceived as is generally thought. Practically every improvement incorporated into that system had behind it a history of some length. River improvement was not new to Illinois.<sup>13</sup> The leading railroads of the system had been discussed for several years, and various attempts had been made for their construction by private companies. The state took up the subject of railroad construction only after private companies failed to raise the required capital. A review of the various local projects for internal improvements proposed between 1830 and 1836 will show the background behind the system adopted in 1837.

The first proposal for a railroad in Illinois was made in 1829, when a projected railroad leading from Pittsburgh to the head of steamboat navigation on the Illinois river and on to the Mississippi was under discussion.<sup>14</sup> On January 21, 1831, Jacob Ogle of St. Clair county introduced a bill in the legislature proposing the survey of a route for a canal or railroad crossing the American Bottom from the bluffs to the Mississippi river opposite St. Louis. After having been passed by the house, the bill was approved by the senate on January 28, 1831. Thus the first law with reference to the subject of railroads was put on the statute books of the state. The act provided for the appointment of commissioners who were to make a survey in order to ascertain the practicability and probable expense of constructing a canal or railroad.<sup>15</sup> The commission was to make a report to the next legislature.

In 1831 projects for a transverse railroad crossing the state from east to west in the central part began to be agitated. A public meeting of the citizens of Adams county was held at Quincy on November 25, 1831, for the purpose of considering the propriety of memorializing Congress to construct a railroad from Buffalo, New York, to the Mississippi river.<sup>16</sup> The meeting adjourned to November 28, when it re-assembled

<sup>13</sup> *Supra*, 11-16.

<sup>14</sup> *Galena Advertiser*, September 14, 1829.

<sup>15</sup> *House Journal*, 1830-1831, 293, 325, 339, 381; *Senate Journal*, 1830-1831, 294, 305, 327, 338; *Laws of Illinois*, 1831, 44.

<sup>16</sup> *Sangamo Journal*, December 22, 1831.



and passed a memorial to be presented to Congress. On December 28, 1832, a Jacksonville meeting endorsed the project of a transverse railroad, while considering the construction of a railroad from Jacksonville to the Illinois river.<sup>17</sup> The meeting passed a resolution requesting the state legislature to incorporate a company to construct the Jacksonville-Illinois river road, and called upon the congressional representatives to use their influence to induce the federal government to build a railroad from some eastern city to the Mississippi.

As a candidate for the general assembly in 1832, Abraham Lincoln declared in favor of a railroad from the Illinois river to Jacksonville with an extension to Springfield but thought that the estimated cost of \$290,000 would preclude the construction.<sup>18</sup> He suggested that to improve the Sangamon river, making it navigable for boats of twenty-five to thirty tons would be a better plan, and cited his flatboat trip down the river as evidence in support of his suggestion.

During the 1832-1833 session of the legislature two proposals were made to incorporate railroad companies. Samuel S. Pierce of Greene county asked leave to introduce a bill in the house providing for the incorporation of a company to construct a railroad from Carrolton to Alton, and Gurdon S. Hubbard of Vermilion county sought to incorporate a company to build a railroad from Lake Michigan to the Illinois river.<sup>19</sup> Nothing came of either proposal.

In 1834 the project of a canal or railroad from the Mississippi to the Wabash river gained many adherents; however, it incurred the hostility of the friends of the Illinois and Michigan Canal. The *Alton Spectator* and the *Beardstown Chronicle* were foremost in the ranks supporting a connection between the Mississippi and a point on the Wabash convenient to the Indiana canal. The *Spectator* contended that by this means a straight line of communication would be opened to Lake Erie, and an outlet created better adapted to the wants of the state than the route contemplated by Lake Michigan.<sup>20</sup>

<sup>17</sup> *Ibid.*, January 5, 1832.

<sup>18</sup> *Ibid.*, March 15, 1832.

<sup>19</sup> *House Journal*, 1832-1833, 371, 411.

<sup>20</sup> *Sangamo Journal*, April 19, 1834; *Alton Spectator*, April 24, 1834.



It argued that Lake Erie was free from ice much sooner in the spring and did not close as early in the fall as either Lake Michigan or Huron, that a dangerous and circuitous voyage through those lakes would be avoided, and the distance to Buffalo would be lessened several hundred miles. The *Chicago Democrat* replied that the products of Illinois could be carried by the Michigan canal at about half the cost that would accrue on the other route, and that the time for a shipment to reach the eastern markets would be the same,<sup>21</sup> which led the *Spectator* to ask why so much sensitiveness was displayed by the people of the north, if they really believed that to be true.<sup>22</sup>

There were those who were in favor of both projects. George Forquer, representing Sangamon county in the senate, pointed out that the state stood pledged to the inhabitants of the northern part of the state to go on with the Illinois and Michigan Canal, but that he could not conceive that those circumstances should prevent the state from engaging in any other public works of equal importance.<sup>23</sup> He suggested that a railroad be constructed from the Wabash river via Danville, Decatur, Springfield, Beardstown, and Rushville, to the Mississippi at Quincy. His plan proposed that the railroad be built by a private company, and that the state legislature memorialize Congress to grant to such a company a pre-emption right to purchase one-half, if it chose, of all vacant lands lying within five miles of either side of the railroad line, at the rate of seventy cents per acre, and to grant to all actual settlers a pre-emption right to purchase the other half of the lands which may be vacant, at the same price of seventy cents per acre. The *Alton Spectator* claimed Forquer proposed the scheme in order to advance the chances of Springfield in obtaining the state capital.<sup>24</sup> The *Sangamo Journal*, a staunch supporter of Forquer's plan, remarked that the thing which would most advance the interests of Alton was a railroad which would make it the depot and market of the Sangamon

<sup>21</sup> *Chicago Democrat*, April 30, 1834.

<sup>22</sup> *Sangamo Journal*, May 10, 1834.

<sup>23</sup> *Ibid.*, June 28, 1834; *Chicago Democrat*, August 6, 1834.

<sup>24</sup> *Alton Spectator*, August 26, 1834.

country.<sup>25</sup> "A railroad from Springfield to Alton would do 10 times more toward building up the latter town, than the seat of government, the national road, the loan office, and the state prison added together. If Alton could be made the depot of the productions of the Sangamon country, she would of necessity become an important town, and in our opinion she cannot be without it," the *Journal* advised the *Alton Spectator*.

The project of a railroad connecting the Mississippi with the Wabash received a great deal of attention after Forquer's proposal became known. James Adams in his campaign for governor in 1834 advocated either a railroad or canal.<sup>26</sup> Acting-Governor William L. D. Ewing in his message to the legislature of 1834-1835 remarked that a railroad commencing at the intersecting point of the Indiana canal on the Wabash river, and terminating at an eligible location on the western extremity of the state, would cross a country of great fertility.<sup>27</sup> Meetings were held in various counties during 1835 to urge the construction of a cross-state railroad. At Bloomington in McLean county a meeting was held on November 24, and a resolution passed requesting the legislature to ask Congress for a grant of land for an Illinois and Ohio river railroad. Two days later a gathering at Decatur urged the construction of the Wabash-Mississippi line.<sup>28</sup> Delegates from Adams and Schuyler counties met at Quincy on December 7, to take measures for pressing forward the project of a railroad from the Wabash and Erie Canal to Quincy via Springfield and Jacksonville.<sup>29</sup> A suggestion was also made for a railroad from Quincy to the Ohio via Vandalia.

A scheme of locating the western terminus of the transverse railroad at Alton gained many supporters during 1835. On March 28, nearly 1000 people gathered at Springfield for the purpose of adopting measures relative to the construction of a railroad from Springfield to Alton.<sup>30</sup> George Forquer made

<sup>25</sup> *Sangamo Journal*, November 15, 1834.

<sup>26</sup> *Ibid.*, July 12, 1834.

<sup>27</sup> *House Journal*, 1834-1835, 18.

<sup>28</sup> *Sangamo Journal*, November 21, 1835.

<sup>29</sup> *Ibid.*, December 19, 1835.

<sup>30</sup> *Ibid.*, April 4, 11, 25, 1835.

a long speech in which he portrayed the possible advantages to be gained by the Sangamon country from such an enterprise. He looked upon the project as the first step in the completion of a line from the Mississippi to the Wabash and Erie Canal. Before adjourning, the Springfield meeting appointed delegates to attend an assembly of delegations from several counties to be held at Carlinville on the first Monday in May. The Carlinville convention took place as scheduled, with delegates present from Sangamon, Macon, Macoupin, and Madison counties. The chief accomplishment of the convention was the appointment of a committee, headed by J. T. Hudson, to survey the route and estimate the cost of the projected Alton-Springfield railroad. The committee accordingly employed General W. B. Mitchell, of Pennsylvania, to make the survey.<sup>31</sup>

In the meantime speculation on the route of the projected railroad from Springfield to Alton had already commenced. In the new town of "Woodburn," laid out on the route, town lots were selling for thirty dollars. "And where is Woodburn?" inquired the *Sangamo Journal*.<sup>32</sup> This and many other places had been plotted since October of the previous year, when the project of an Alton and Springfield railroad was first discussed in the press.

General W. B. Mitchell made a report on September 10, 1835, of his survey of the Alton-Springfield route.<sup>33</sup> He estimated the cost of the railway at \$491,847.56, or an average of \$6,831.21 per mile. The estimates of the amount of business that the road would do were extremely optimistic, not to say extravagant. It was thought that the country would furnish 37,346 tons of freight annually, assuming that each of the three thousand farms exported every year one hundred bushels of wheat, two hundred of corn, and one hundred of oats, twelve hogs, and five cattle. Imports would amount to 12,500 tons annually, it was estimated. A total annual revenue of \$224,930 was predicted, with Sangamon county contribut-

<sup>31</sup> *Ibid.*, May 9, 23, June 27, 1835.

<sup>32</sup> *Ibid.*, April 11, 1835.

<sup>33</sup> *Illinois Advocate*, October 7, 1835; *Sangamo Journal*, October 3, 1835.

ing \$172,052, Macoupin county, \$32,880, and Madison county, \$20,000.

At the same time projects for railroads were taking form in other parts of the state. A railroad from Chicago to Vincennes first began to attract interest in 1834. One proposal provided for a road about three hundred miles in length, including branches from Iroquois to Lafayette, Danville to Covington, Georgetown to Eugene, and Paris to Terre Haute.<sup>34</sup>

The project received serious attention during the 1834-1835 session of the general assembly. A company was incorporated with three million dollars of capital to construct a railroad via Danville, Paris, and Palestine.<sup>35</sup> Thirteen directors, chosen annually, were to direct the affairs of the company. Each county was to be entitled to a director, provided the county or citizens thereof, should own stock to the amount of at least \$5,000, and no person was to be eligible to the office of director unless he held stock to the amount of \$200. Any grant of land given by the federal government to aid in the construction of the railroad was to be the property of the company, to be disposed of as it deemed proper. Construction was to be commenced and at least \$25,000 expended within three years, and the work was to be finished within eight years from the passage of the act. During the following summer subscription books for stock were opened, but the response of investors did not allow the commencement of construction at that time.<sup>36</sup>

The Chicago and Vincennes Railroad was not the only company granted a charter at this session of the legislature. Upon the petition of the people of Morgan county for a railroad, a company was incorporated to construct a railroad from Jacksonville to Meredosia on the Illinois river.<sup>37</sup> The company, whose affairs were to be directed by a board of five, was allowed a capital of \$100,000, with the liberty of increas-

<sup>34</sup> *Chicago Democrat*, July 9, 1834.

<sup>35</sup> *House Journal*, 1834-1835, 232, 257, 290, 318; *Senate Journal*, 1834-1835, 211, 251, 271; *Laws of Illinois*, 1835, 88-94.

<sup>36</sup> *Chicago American*, September 26, 1835.

<sup>37</sup> *House Journal*, 1834-1835, 270, 334, 376, 464; *Senate Journal*, 1834-1835, 326, 389, 440; *Laws of Illinois*, 1835, 197-204.

ing that amount from time to time. The charter was extremely liberal, giving the company the privilege to fix the rates of toll, to construct a lateral road to Naples, and to receive volunteer grants of land or property from the federal and state governments and from individuals.

A number of other railroad projects were considered by the general assembly. Resolutions were offered in the house instructing the committee on internal improvements to investigate the practicability of granting charters to companies for the construction of railroads from Mount Carmel to Alton, from Shawneetown to Lower Alton, from Cairo to the Illinois and Michigan Canal, from the Wabash river to the Illinois river, from the Mississippi opposite St. Louis to the St. Clair coal mines, and from the Wabash Canal to Quincy. The internal improvement committee reported that all the projects were thought inexpedient.<sup>38</sup> Other action by the legislature on the subject of railroads included memorials addressed to Congress requesting a donation of land of five sections per mile to construct a railroad from Maumee bay on Lake Erie to the rapids of the Illinois river, and an appropriation for the survey of a route and a donation of land for a railroad from Logan's Point on the Wabash to Quincy on the Mississippi.<sup>39</sup>

The project of a central railroad, which was to become the backbone of the system of 1837, began to take form in the fall of 1835. On October 16, Sidney Breese, resident of Kaskaskia and judge of the circuit court, wrote a letter to the *Illinois Advocate* suggesting the construction of a railroad from the junction of the projected canal with the Illinois river to the confluence of the Ohio and Mississippi.<sup>40</sup> Breese thought that Congress would donate the state a liberal tract of land for the railroad. A series of meetings in support of the project was held during the fall months in central and southern counties of the state.<sup>41</sup> At all these meetings resolutions were

<sup>38</sup> *House Journal*, 1834-1835, 220, 237, 242-44, 298, 361.

<sup>39</sup> *Senate Journal*, 1834-1835, 149, 186, 368, 442; *House Journal*, 1834-1835, 423, 454.

<sup>40</sup> *Chicago Democrat*, October 28, 1835; *Sangamo Journal*, October 31, 1835.

<sup>41</sup> In Shelby county, October 19 and 20, and November 18; in Fayette county, October 26; in Macon county, November 11; and in Jackson county, December 2. *Illinois Advocate*, October 21, 28, December 17, 1835; *Sangamo Journal*, October 31, 1835; *Chicago Democrat*, November 4, 1835.



passed urging the construction of a central railroad. There was a general expression of sentiment that the accomplishment of the project would restore to southern Illinois her former pre-eminent position in the economic and political life of the state.

Such widespread interest in a central railroad called for some action on the subject by the legislature. On December 16, 1835, William L. D. Ewing proposed in the senate that a committee of three be appointed to inquire into the expediency of the state undertaking the work, or of creating a company, in whose stock the state would participate to the amount of one-third or two-fifths.<sup>42</sup> He further proposed that the committee be instructed to report a memorial addressed to Congress requesting the passage of a law granting the state each alternate section of land which might remain unsold on March 1, 1836, and within five miles of the central railroad route, or to grant to the state the right of pre-emption to all the lands within those limits at a sum less than the current minimum price of the public lands. A committee consisting of Benjamin Bond (Monroe county), William Williamson (Macon county), and Ewing (Fayette county), was accordingly appointed. The following day John S. Hacker, of Union county, introduced a resolution declaring that it would be expedient to construct the central railroad, and that the state should effect a loan of a sum sufficient to commence both the railroad and the contemplated Illinois and Michigan Canal.<sup>43</sup>

A law was finally enacted on January 16, 1836, incorporating a company to undertake the construction of the central railroad.<sup>44</sup> The act named fifty-eight incorporators, many of whom were among the most prominent men of the state. The company was capitalized at two and a half million dollars with the privilege of a million dollar increase when necessary. The directors of the company were authorized to fix the rates for tolls, with the reservation that if a net income of over twelve

<sup>42</sup> *Senate Journal*, 1835-1836, 48-49.

<sup>43</sup> The resolution was read and laid on the table on the motion of Senator Cyrus Edwards of Madison county. *Ibid.*, 1835-1836, 58.

<sup>44</sup> *House Journal*, 1835-1836, 265, 325, 346, 358; *Senate Journal*, 1835-1836, 119, 195, 264, 279; *Laws of Illinois*, 1836, 129-35.



per cent was produced the legislature could reduce them so that not more than twelve per cent on the cost should be realized from the operation of the railroad. There were provisions in the act allowing for the construction of a lateral road to Belleville, and the extension of the main line to Galena. No other railroad was to be authorized to be built within ten miles of the central road within fifty years.

The general assembly of 1835-1836 was anything but parsimonious in chartering railroad companies. In addition to the Illinois Central fifteen other companies received charters, including the Belleville and Mississippi; the Pekin, Bloomington, and Wabash; the Mississippi, Springfield, and Carrolton; the Alton, Wabash, and Erie; the Central Branch-Wabash; the Galena and Chicago Union; the Wabash and Mississippi; the Shawneetown and Alton (via McLeansboro, Mount Vernon, and Carlyle); the Alton and Shawneetown (via Edwardsville, Lebanon, Nashville, Frankfort, and Equality); the Mount Carmel and Alton; the Wabash and Mississippi Union; the Warsaw, Peoria, and Wabash; the Waverly and Grand Prairie; the Rushville; and the Pekin and Tremont.<sup>45</sup> The ease with which these charters were passed shows how the legislature had become infected with the optimistic and speculative spirit current at the time. Practically every application for a charter was granted, and in boom times like those of 1836 no section would sit back to see its neighbor gain an advantage by acquiring a much needed means of communication.

A system of railroads based on these charters would have differed from the railroads of the present because they were centered mostly at Alton rather than at St. Louis. For some time Alton had aspired to be the commercial rival of St. Louis. It was argued that Illinois should not continue to contribute to the building up of a city outside the state at the expense of her own towns. By 1831 most people of Illinois were sympathetic toward Alton's ambitions even though they continued to trade at St. Louis for the most part. In that year the legis-

<sup>45</sup> *Ibid.*, 1836, 3, 8, 12, 16, 21, 24, 36, 46, 51, 54, 64, 76, 81, 85, 90.

lature adopted a memorial requesting the congressional delegates to use their influence to secure the routing of the National Road through Alton rather than through St. Louis on its extension to the capital of Missouri.<sup>46</sup> It was believed that a great commercial emporium would grow up at the point where the National Road crossed the Mississippi river. When railroads began to be projected in Illinois, the rivalry of Alton and St. Louis played an important part in determining routes. Most of the state acquiesced in routing railroads toward Alton rather than St. Louis except for the southern quarter, a region directly tributary to the latter city. The incorporators of the railroads chartered in 1836 were singularly lacking in foresight because they sought merely to connect the rivers or the towns within the state rather than make their lines connecting links in a nation-wide transportation system.

The contents of the numerous railroad charters of 1836 are only of passing interest because no work was ever completed under them. No two of the charters were alike because no general plan was followed in drawing them up, and each one embodied the particular interests of the incorporators. Usually the charters were granted for a limited period of forty to sixty years, but in some cases the only limitation was the reservation of the right of the legislature to purchase after a stated interval of years, and sometimes there was not even that. Where the state was allowed to take over the property after a period of years, payment had to be made either for an appraised value, or for the cost plus a fixed annual interest or for cost plus cumulative interest. Several of the charters contained provisions allowing the legislature to regulate rates, but only, if after a term of years the profits of the company exceeded a certain percentage. For example, the legislature could reduce rates on the Illinois Central when they produced a net income of over twelve per cent.<sup>47</sup> The charters generally contained a provision for forfeiture in the event the road was not begun or completed in a specified number of years. Some-

<sup>46</sup> *House Journal*, 1830-1831, 190, 210, 375, 406.

<sup>47</sup> *Laws of Illinois*, 1836, 132.

times the rate at which construction had to progress was elaborately specified; the Wabash and Mississippi Union road, for instance, was to be commenced within five years, one-fourth finished in ten years, one-half finished in fifteen years, and all finished in twenty years.<sup>48</sup> The amount of capital stock was usually specified, but the right for an increase was often allowed, sometimes without limitation, as in the case of the Warsaw, Peoria, and Wabash.<sup>49</sup> In the Mount Carmel and Alton charter the state was given the privilege of subscribing to one-third of the stock if done within the space of two years.<sup>50</sup> Sometimes provision was made for a specified division of the stock among the stockholders. A few charters contained a clause providing for reports to the legislature, but generally this was not required. The charters of 1835-1836 are significant only because the system of 1837 was composed largely of lines projected by them.

If a railroad system had been constructed under these extremely liberal and diverse charters, the state would have been faced with a problem of regulation of the greatest complexity imaginable. Fortunately, all of them were either forfeited or surrendered within a short time. During the summer of 1836 books of subscription for stock were opened in practically every town of the state as well as in eastern cities.<sup>51</sup> The incorporators failed to secure the large sums asked for, and what little money was invested never returned to the pockets of the shareholders.<sup>52</sup>

The failure of private interests to raise the capital required for undertaking the various internal improvement projects led directly to the adoption of a general system by the state in 1837. It gave to the friends of state ownership a most decisive argument. For several years sentiment had been growing in favor of a state owned and controlled system of internal improvements. As early as November, 1833, Illinois newspapers

<sup>48</sup> *Ibid.*, 1836, 65.

<sup>49</sup> *Ibid.*, 1836, 77.

<sup>50</sup> *Ibid.*, 1836, 56.

<sup>51</sup> *Illinois State Register*, February 24, April 29, May 13, August 26, 1836.

<sup>52</sup> If all the railroads which had been incorporated had sold their stock the aggregate would have amounted to \$15,000,000.

noticed that London papers published statements that large sums of money could be had in England by any of the states wishing to improve their transportation facilities.<sup>53</sup>

In 1834 several candidates seeking public office stated their position on the question of an internal improvement system.<sup>54</sup> Joseph Duncan, who took a strong stand in favor of internal improvements, was elected governor. In his message to the legislature on December 3, 1834, he stated that "the present is a favorable time to commence a general system of internal improvements. Our State is comparatively in its infancy, and if roads, trackways, railroads, and canals, are now laid out, they can be made straight between most of the important points, with very little expense and difficulty, compared with what will result, if their location is postponed until lands increase in value, and settlements are formed on the roads which are now in use, or are daily making."<sup>55</sup> He made particular mention of the construction of the Illinois and Michigan Canal and the improvement of the Illinois and Wabash rivers, and expressed the hope that federal aid might be forthcoming. In the session of the legislature which followed, George Forquer made a proposal that the state effect a loan of \$3,000,000 and undertake the construction of the canal, the railroad from the Wabash to Quincy, and the Central Railroad.<sup>56</sup> The suggestion had to be dropped, however, because the railroads were regarded as possible rivals to the canal. William J. Gatewood, of Gallatin county, argued that the state could not undertake more than one of the works, and that the canal should get the preference.<sup>57</sup>

During 1835 further schemes for an internal improvement system were evolved. On October 16, Sidney Breese suggested a plan whereby the north would get the Illinois and Michigan Canal and the central and south the Central Railroad, from which lateral branches would soon be constructed to the Wabash and Mississippi rivers.<sup>58</sup> He believed that Congress

<sup>53</sup> *Sangamo Journal*, November 2, 1833; *Galenian*, November 8, 1833.

<sup>54</sup> *Illinois Advocate*, June 26, July 5, 1834; *Sangamo Journal*, July 5, 1834.

<sup>55</sup> *House Journal*, 1834-1835, 29-31.

<sup>56</sup> *Chicago Democrat*, December 30, 1835.

<sup>57</sup> *House Journal*, 1834-1835, 264; *Sangamo Journal*, January 17, 1835.

<sup>58</sup> *Chicago Democrat*, October 28, 1835.

would donate land for the railroad, and that the state should pledge its credit. To avoid jealousies he suggested that the two works be begun simultaneously. The editor of the *Sangamo Journal* commented that he could see no reason why the state should spend two and a half million dollars on the Central Railroad and yet refuse to construct the Wabash and Mississippi road.<sup>59</sup> A letter appearing in the *Journal* of November 28, 1835, endorsed Breese's plan and suggested that railroads should also be constructed from Alton to Shawneetown, from the Wabash and Erie Canal to Quincy, from Chicago to Vincennes, and from Springfield to Alton. This enlarged scheme approached the outlines of a system for the whole state. On December 7, 1835, residents of Adams and Schuyler counties met at Clayton to discuss the subject.<sup>60</sup> Resolutions were passed pledging support to the transverse line from the Wabash to Quincy, to the canal, and to the Central Railroad. The meeting pointed to the examples of New York, Ohio, Pennsylvania, and Indiana in internal improvements, and that the seemingly great debts of those states were fast being liquidated by the receipts from tolls.

In the 1835-1836 session of the general assembly Cyrus Edwards saw the mistake of haphazardly granting charters to private companies. Consequently, he offered a plan for a concerted system of works which would embody three or four of the major lines. On January 2, he proposed that the committee on internal improvements be instructed to report bills for the incorporation of companies for railroads from the Wabash and Erie Canal via Danville, Decatur, and Springfield to Quincy; from the termination of the Illinois and Michigan Canal via Bloomington to Decatur; and from Alton, via Edwardsville and Equality to Shawneetown.<sup>61</sup> His plan would have authorized the governor to effect a loan for a state subscription of one-third of the stock as soon as the company should have subscribed the remaining two-thirds, and would have reserved the right of the state to buy out the company on

<sup>59</sup> *Sangamo Journal*, October 31, 1835.

<sup>60</sup> *Illinois Advocate*, January 20, 1835.

<sup>61</sup> *Senate Journal*, 1835-1836, 154, 198.



certain specified terms within a limited period. Several days later he amended his resolution so as to allow an extension of the canal and Decatur line through Springfield to Vandalia where it would connect with the Kaskaskia which might be made navigable in the future when funds became available. The plan proposed by Edwards was seriously wanting in foresight because it would have merely constructed railroads to connect the navigable rivers and the small cities within the state, and would not have opened direct connections with the great centers of population outside the state.

After the adjournment of the legislature in 1836, the *Chicago Democrat* expressed regret that so many private companies had been chartered.<sup>62</sup> It contended that the most important improvements should have been combined into a general system and construction undertaken by the state. It pointed out that the state might have created a board of internal improvements similar to the plan adopted in Indiana.

In 1836, when the private companies failed to dispose of their stock, the movement for a general system of internal improvements constructed by the state gained fresh impetus. During the election of that year the press and the candidates quite generally espoused the movement. "Let's elect representatives who will borrow money to make internal improvements," cried the editor of the *Illinois State Register*.<sup>63</sup> In response to the charge of the *Quincy Argus* that the Whigs were opposed to internal improvements, the editor of the *Quincy Whig* replied that "to judicious and reasonable schemes of internal improvement, no men can be more friendly than the Whigs."<sup>64</sup> That the people were interested in the subject was demonstrated by the internal improvement convention which assembled at Nashville on July 11 and 12, with delegates present from Gallatin, Franklin, Jefferson, Madison, St. Clair, Perry, and Washington counties.<sup>65</sup> A resolution was passed declaring that the revenue laws be amended so as to

<sup>62</sup> *Chicago Democrat*, February 10, 1836.

<sup>63</sup> *Illinois State Register*, June 24, 1836.

<sup>64</sup> *Quincy Whig*, June 2, 1836.

<sup>65</sup> *Illinois State Register*, October 28, 1836.



tax each person according to the value of his or her property. It was pointed out that New York, Maryland, Pennsylvania, Ohio, and Indiana had spent millions for internal improvements. The convention demanded that the state undertake a general system since the private companies had not been able to sell stock. The state election of August 19, 1836, placed men in office favorable to extensive state enterprises.

The universal and incessant discussion on the internal improvement subject began during the fall of 1836 to take the form of popular instructions to the newly-elected legislature. Meetings were held in many counties for that purpose, and delegates appointed to a convention called to meet at the state capital simultaneously with the meeting of the legislature in December.<sup>66</sup> Typical of the numerous county meetings was that held on November 19 at Springfield.<sup>67</sup> After a series of long speeches, resolutions were adopted declaring that the legislature should enact a law providing for a general system of internal improvement to be constructed by the state, and that the governor should be authorized to borrow not to exceed \$10,000,000 on the pledge of the credit of the state.

The internal improvement convention which met at Vandalia, December 5 and 6, 1836, simultaneously with the convening of the legislature, was well attended.<sup>68</sup> The delegates, some of whom were members of the general assembly, represented the various sectional wants of the state with the wildest enthusiasm. After two days deliberation, during which "possibilities were argued into probabilities, and the latter into infallibilities," they finally embodied their conclusions in a group of resolutions demanding of the legislature the improvement of the larger rivers and the construction of a system of railroads by the state. The cost of the system, which was estimated at \$10,000,000, was to be paid for by the sale of state bonds.

Governor Duncan in his message to the legislature reiterated

<sup>66</sup> *Sangamo Journal*, August 27, November 26, 1836; *Chicago Democrat*, December 7, 1836.

<sup>67</sup> *Sangamo Journal*, November 26, 1836.

<sup>68</sup> *Illinois State Register*, December 8, 1836.

his belief in the necessity for internal improvements.<sup>69</sup> He was not, however, in favor of their construction by the state, but urged the passage of a general law providing that the state take a certain amount of the capital stock in all canals and railroads undertaken by private companies.

Internal improvements monopolized the interest of the tenth general assembly. The subject was opened on December 14, when three separate proposals were made. William Thomas of Morgan county proposed a resolution in the senate instructing the committee on internal improvements to inquire into the expediency of organizing a board of public works for the purpose of embarking upon a state constructed system of improvements.<sup>70</sup> John D. Whiteside of Monroe county offered a resolution declaring that \$150,000 should be appropriated to be divided between the counties, in proportion to their population, for the purpose of improving the public highways.<sup>71</sup> Stephen A. Douglas of Morgan county presented a resolution in the house calling upon the internal improvement committee to report a bill providing for the completion of the Illinois and Michigan Canal, a railroad from the termination of the canal to the mouth of the Ohio, a railroad from Quincy to the Wabash and Erie Canal, the improvement of the Illinois and Wabash rivers, and the survey of such other works as might be considered of utility.<sup>72</sup> This system was to be constructed by the state with money obtained from a loan on the state's credit and sales of canal lands.

Three days later Mark Aldrich of Hancock county proposed that the house committee on internal improvements be instructed to inquire into the expediency of the state subscribing to one-third or more of the capital stock of any or all of the private companies chartered at the previous general assembly.<sup>73</sup> On the same day Senator Cyrus Edwards proposed a joint inquiry by the internal improvement committees of the two houses as to the expediency of providing a system for the

<sup>69</sup> *House Journal*, 1836-1837, 15-19.

<sup>70</sup> *Senate Journal*, 1836-1837, 45.

<sup>71</sup> *Ibid.*

<sup>72</sup> *House Journal*, 1836-1837, 36.

<sup>73</sup> *Ibid.*, 1836-1837, 69.

whole state, the interest on the loan required to be paid from the distribution fund.<sup>74</sup> The report of the joint committee resulted in both houses passing resolutions requesting grants of land from Congress.

On December 23, 1836, Edward Smith of Wabash county proposed a resolution urging the house committee on internal improvements to report a bill providing for a general system constructed by private companies but with the state cooperating in the management and subscribing one-half of the stock.<sup>75</sup> This plan contemplated the creation of a board of fund commissioners to negotiate the loans required for the stock subscriptions and a board of public works to have joint management over the railroads with the directors of the companies. The state was to reserve the right to purchase the whole of the railroad property after the expiration of twenty-five years from January 1, 1837.

The house internal improvement committee reported on January 9, but its proposals differed a great deal from the plan suggested by Smith.<sup>76</sup> The committee recommended the adoption of a general system to be constructed by the state, declaring the action of the recent convention with representatives fresh from the people should convince the house that the sentiment throughout the state was favorable. It pointed out the brilliant examples of other states and forecast an even greater opportunity for Illinois. The committee argued that the system was demanded abroad as well as at home and that the flow of immigration would cease if it were not adopted. It declared that previous surveys could be dispensed with be-

<sup>74</sup> *Senate Journal*, 1836-1837, 87, 89, 127.

<sup>75</sup> Smith proposed the completion of the Illinois and Michigan Canal; the improvement of the Illinois, Wabash, Kaskaskia, Rock, and Little Wabash rivers; the improvement of the Great Western Mail Route; and the cooperation of the state with private companies in the construction of railroads from the western terminus of the Illinois and Michigan Canal to the mouth of the Ohio, from Peoria via Bloomington and Paris toward Terre Haute, from Quincy to the Wabash and Erie Canal, from Mount Carmel to Alton, from Shawneetown to Alton, and from the Wabash and Erie Canal to Alton. *House Journal*, 1836-1837, 97-102.

<sup>76</sup> *Ibid.*, 1836-1837, 202-15; *Illinois State Register*, January 12, 1837. The committee recommended complete state ownership and construction. The plan was more conservative than that offered by the Vandalia convention in regard to the extent of the system.

cause exact estimates of cost could be made in a country of uniform topography like Illinois, and that if the routes were surveyed first, the state could not buy the adjacent lands at the United States government price. A general system of internal improvements was within the policy and means of the state according to this most hopeful and assuring report.

The committee recommended that a loan of \$8,000,000 be authorized by the legislature, that a board of fund commissioners be created, and that a fund for internal improvements be established to consist of all monies arising from loans, tolls, rents of land and hydraulic powers, interest on stocks, sale of state lands entered for the works, a portion of the deposits received from the national government, and such portions of the annual land tax and other appropriations as might be found necessary from time to time to meet payment of interest on loans. It was pointed out that the value of land subject to taxation in 1836 amounted to \$5,335,041, and that by 1842 the state might count on twelve million acres of taxable land to help meet the debt. A board of public works was to be created for the purpose of promoting and superintending the various improvements. The railroads were to be begun at intersections with navigable streams and important towns and to be extended in both directions from them, and put into operation as soon as five or more miles could be completed from those points. The committee recommended the expenditure of \$100,000 each on the Great Wabash, the Illinois, and the Rock, \$50,000 each on the Kaskaskia and Little Wabash, \$100,000 on the Great Western Mail Route, \$3,500,000 on the Central Railroad, \$1,600,000 on the Southern Cross Railroad, and \$1,850,000 on the Northern Cross, for an aggregate sum of \$7,450,000. The cost of the railroads was estimated at \$8,000 a mile or less. The committee incorporated its proposals into a bill entitled "an act to establish and maintain a general system of internal improvements," and presented it to the legislature for adoption.

On January 23, the bill was reported back to the house, where it was subject to lengthy discussions and many proposals

for changes.<sup>77</sup> An attempt by Alpheus Wheeler of Pike county to destroy the system by striking out the enacting clause was defeated by a vote of 9 to 70, the opposition to the bill coming largely from the members representing the lower Military Tract and the southern counties. A move by William Lane of Greene county to obtain a referendum on the bill at the next election was defeated 20 to 59. Richard Bentley of Bond county then sought to decrease the size of the system by striking out all works and appropriations, except the Central and the Wabash and the Mississippi railroads, which was denied by an 11 to 67 vote.

When the bill came up for consideration the next day, Wheeler moved to amend by striking out the enacting clause, and providing for the appointment of an engineer who was to make a survey of the proposed works and make a report to the following session of the legislature. This amendment was defeated by the usual division of votes. The bill was then advanced to the third reading by a vote of 62 to 18. After being read the third time it was referred to a committee of the whole on January 27. A final attempt to condemn the system was made by a representative from Schuyler county, William A. Minshall, who proposed to pronounce it inexpedient and to create a board of internal improvements to employ the engineers who were to examine the several routes and report how far they conflicted with charters previously granted by the legislature, and how far the several routes conflicted with each other. The proposal was decided in the negative by a vote of 22 to 63. The amendments were usually supported by members interested in further additions to the bill, and by Whigs who were opposed to improvements constructed by the state rather than by private companies. The bill finally passed the house on January 31, by a vote of 61 to 25, the opposition as usual coming from members representing the lower Military Tract and the extreme southern counties.

On February 16, the internal improvement committee of the senate reported the bill with amendments.<sup>78</sup> Of the amend-

<sup>77</sup> *House Journal*, 1836-1837, 363-70, 375, 413, 430, 441, 443.

<sup>78</sup> *Senate Journal*, 1836-1837, 445-52, 464-66, 469-75, 487, 490.



ments added in the committee, two were voted down by the senate, one of which proposed a railroad from Havana to some eligible point on the Central line and the other proposed appropriations to the Winchester, Linnville, and Jacksonville, and to the Pittsfield and Mississippi Railroad companies.

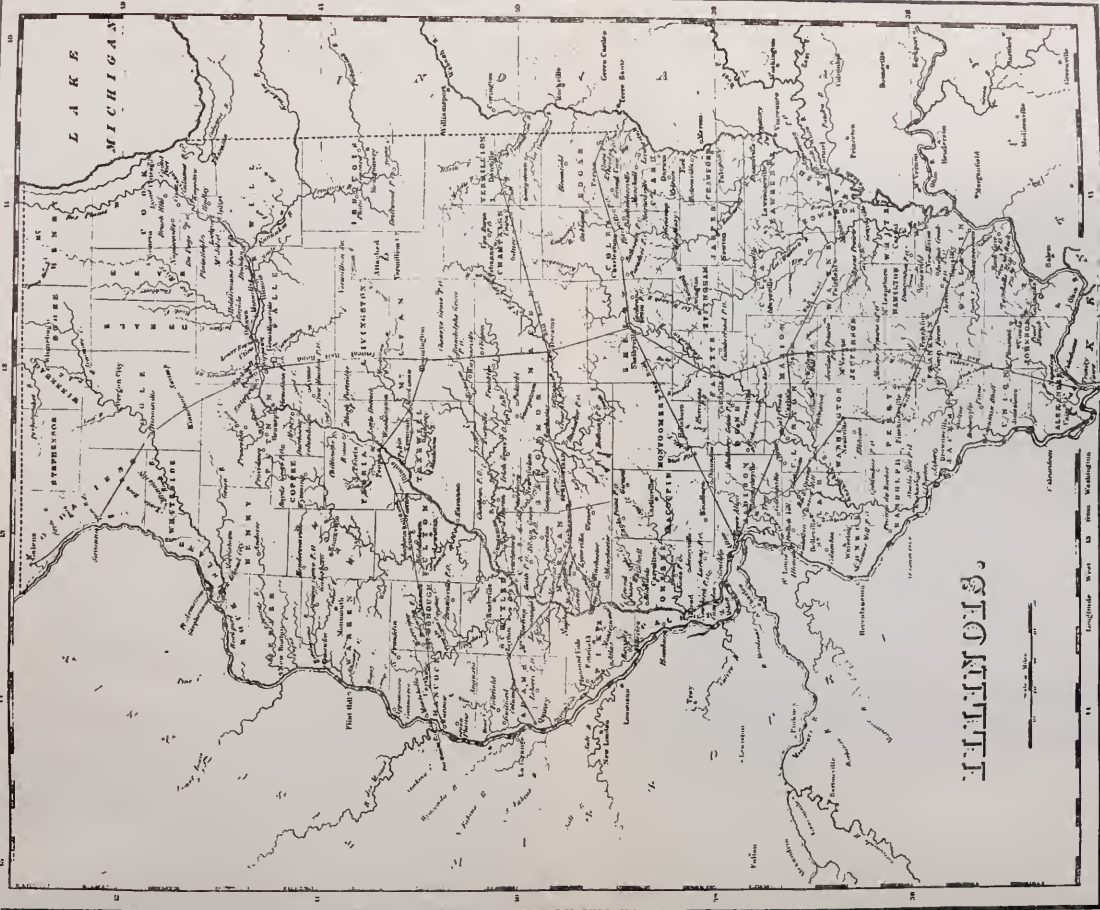
Many amendments providing for additions to the system proposed in the senate were defeated, including proposals for a railroad from Peoria to Oquawaka, a continuation of the Central Branch railroad to Alton, a turnpike from Ford's Ferry to Chester, \$50,000 to improve the Big Muddy, \$25,000 to improve the Embarrass, \$50,000 for the Chicago-Vincennes road, and a railroad from some point on the Illinois Central to Shawneetown. Two important additions were made by the senate. The amendment adding a railroad from Bloomington to Mackinaw with branches from the latter point to Peoria and Pekin, was adopted by a vote of 23 to 16. The amendment for appropriating \$200,000 to counties not receiving any benefit from other provisions was passed 31 to 9.

A number of unsuccessful attempts to destroy the system were made in the senate. A proposal by Levin Lane of Hamilton county to lay the bill on the table until December 1, and to print 10,000 copies for distribution among the people was decided in the negative by 14 to 25. William O'Rear's proposal for a popular vote to be held on the first Monday in August barely lost, 20 to 20. The bill was advanced to the third reading by a vote of 25 to 15, and passed on February 21, by a similar vote. Upon being reported back to the house with the senate amendments, Parven Paullin of Pike county moved to amend the bill by providing for an election on the first Monday in June to let the people decide whether or not the system should be adopted. The proposal was defeated 30 to 55. The house concurred in the senate amendments by a vote of 62 to 22 on February 23.<sup>79</sup>

<sup>79</sup> *House Journal*, 1836-1837, 675. As finally passed, the act appropriated \$10,250,000, divided as follows: for rivers — Great Wabash, \$100,000; Illinois, \$100,000; Rock, \$100,000; Kaskaskia, \$50,000; Little Wabash, \$50,000; for Great Western Mail Route from Vincennes to St. Louis, \$250,000; for railroads — Illinois Central, \$3,500,000; Southern Cross, Alton to Mount Carmel and Alton to Shawneetown, \$1,600,000; Northern Cross, Quincy to Indiana state line,







ILLINOIS IN 1838 SHOWING ROADS AND PROPOSED CANAL AND RAILROADS

On the same day Edwin B. Webb and John McCown, the representatives of White county, made a protest and ordered it spread upon the journal of the house. The protest declared that there could be no advantage in plunging the state into debt, the interest of which would amount to ten times the ordinary revenue; that out of state people would profit most by the advance in price of lots and lands along the railroad routes. It pointed out that the successful works of New York and Pennsylvania afforded no fair example or precedent, for there they were intended to connect cities of large wealth, business, and population, while the works proposed by Illinois were but a bold attempt to create cities and attract population and wealth. Finally, it condemned the use of logrolling as a means to secure the adoption of the bill.<sup>80</sup>

On February 25, the council of revision returned the bill without its approval.<sup>81</sup> Judges Thomas C. Brown and Samuel D. Lockwood objected to the provision which provided that vacancies in the board of public works were to be filled through appointment by the remaining members of the board, which they thought an infraction of section eight of the third article of the state constitution authorizing the governor to fill such vacancies. They also pointed out that by limiting the term of office of the fund commissioners to the second Monday in December biennially, an interval might result without incumbents, and they suggested that the fund commissioners be continued in office until their successors were appointed. In concurring Judge Theophilus W. Smith admitted that there might be other objections which he would leave for the general assembly to decide. Governor Duncan concurred in the objections, and in addition questioned the bill on the ground of expediency, contending that "such works could only be made safely and economically in a free government, by citizens or

\$1,850,000; Central Branch, Hillsboro to Terre Haute, \$650,000; Peoria and Warsaw, \$700,000; Alton, Hillsboro and the Central, \$600,000; Belleville to Southern Cross, \$150,000; Bloomington to Mackinaw with diverging branches to Pekin and Peoria, \$350,000; and for counties not furnished with a railroad or canal, \$200,000. *Laws of Illinois*, 1837, 131-36.

<sup>80</sup> *Illinois State Register*, March 1, 1837; *House Journal*, 1836-1837, 680-83.

<sup>81</sup> *Ibid.*, 1836-1837, 720-24.

by independent corporations, aided or authorized by the government." He feared the danger of interference in elections and the likelihood of undue influence over the legislature by those in management of the system.

The house immediately proceeded to amend the bill so as to remove the provisions objectionable to Brown and Lockwood and repassed it by a vote of 53 to 20. On February 27, the senate concurred in the house amendments and passed the bill 23 to 13. The council of revision gave its approval on the same day.<sup>82</sup>

The manner in which the internal improvement bill was passed deserves some attention. Writers on Illinois history have uniformly claimed the system was adopted only after logrolling and vote trading on the part of scheming and adroit politicians.<sup>83</sup> That the picture has been overdrawn is fairly evident. That many members of the legislature would not vote for the system until the projects of their own districts were included is probably true; as for example, the northern part of the state favored improvements for the south so that the representatives from that section would give continued support to the canal. The charges, however, that the city of Alton surrendered her claim to the seat of government for three railroads, that the Sangamon county delegation bartered its votes to the friends of internal improvements in exchange for support to Springfield as the seat of government, and that the counties without railroads and river improvements were bribed by a donation of \$200,000, have not been proven by conclusive evidence.

A critical examination of the legislative journals does not tend to show that these charges are true. To say that the counties not otherwise provided for by the system received the \$200,000 as a bribe for their support is rather far fetched because the votes of the members from those counties were not

<sup>82</sup> *Ibid.*, 1836-1837, 723, 735, 739; *Senate Journal*, 1836-1837, 531.

<sup>83</sup> Ford, *op. cit.*, 183, 186-87; Frederick Gerhard, *Illinois As It Is* (Chicago, 1857), 84; John Reynolds, *My Own Times, Embracing also a History of my Life* (Belleville, 1855), 508; Alexander Davidson and Bernard Stuve, *History of Illinois, 1763-1884* (Springfield, 1884), 438-39; Pease, *op. cit.*, 201-05; William E. Baringer, *Lincoln's Vandalia* (New Brunswick, New Jersey, 1949), 87-109.

needed to pass the bill. When the amendment for appropriating the \$200,000 was added on February 21, the bill had already passed the house and the test vote indicated quite clearly that it would also pass the senate.<sup>84</sup>

The evidence on the connection between the internal improvement system and the location of the seat of the government is likewise quite inconclusive. Attention might be called to the fact that of the fifteen senators who voted against the internal improvement bill, eight voted for locating the seat of government at Springfield.<sup>85</sup> Similarly in the house, such opponents of the internal improvement system as Revill W. English (Greene county), John Harris (Macoupin county), William A. Minshall (Schuyler county), Samuel G. Thompson (Randolph county), Edwin B. Webb (White county), and Alpheus Wheeler (Pike county), voted for Springfield, while a large number of friends of the system cast their ballot against Springfield.<sup>86</sup> It might also be pointed out that Senator Whiteside, who first proposed an amendment for appropriating funds to the counties not otherwise provided for in the bill, voted not for Springfield, but for Alton.<sup>87</sup> If Alton had given up her claim for the seat of government, the Madison county representatives would not have continued to vote for that city as they did on February 28, 1837, during the balloting for locating the seat of government.<sup>88</sup>

It is more likely that Alton received the terminals of three railroads because it was the largest city within the state on the Mississippi river. This is in accord with the policy of building internal improvements to connect the streams and the large towns within the state. It is also in line with the movement of that day to build up Alton as a rival to St. Louis. The charters granted to the private companies during the 1835-1836 session of the legislature had Alton as the termini of four of the roads, while not a single one of the charters provided for a cross-state road terminating at St. Louis. Thus it will be seen that

<sup>84</sup> *Senate Journal*, 1836-1837, 464, 467.

<sup>85</sup> *Ibid.*, 1836-1837, 475, 546-51.

<sup>86</sup> *House Journal*, 1836-1837, 443, 675, 757.

<sup>87</sup> *Senate Journal*, 1836-1837, 444, 550.

<sup>88</sup> *House Journal*, 1836-1837, 752-57.



Alton was generally regarded as the future railroad center of the state even before the internal improvement system was originated. It might also be pointed out that the friends of Alton had a reason for favoring Springfield next to Alton as the location for the seat of government. Federal law provided that the National Road was to pass through the capital of Illinois. If Vandalia were to remain the capital the National Road would almost certainly be routed westward through St. Louis, or if a town in the northern part of the state were to be the chosen, the road would probably cross the Mississippi river north of Alton. The location of the seat of government at Springfield, however, would very likely result in the routing of the National Road through Alton, or at least so it was thought at that time.

It is probable that the Sangamon county delegation made some bargains, but to say that "the whole state was bought up and bribed" as did Thomas Ford in his *History of Illinois*, is certainly going too far. Ford's account of this topic no doubt was prejudiced, since as a Democrat in politics he was in opposition to the "Long Nine" of Sangamon county. Later writers apparently accepted the Ford version without a critical study of the evidence as presented by the vote in the general assembly. While Ford sought to make villains of the "Long Nine," others stressed a relationship between the adoption of the internal improvement system and the location of the capital in an effort to build up Abraham Lincoln as a shrewd politician. It might be remarked, incidentally, that large internal improvement systems were adopted in other states without changing the location of the seat of the government.

In looking for the reasons why an act providing for an internal improvement system was passed in 1837, the strong antimonopoly feeling prevailing in the country at that time must be taken into consideration. Sentiment for the state ownership of transportation facilities was particularly strong in the western states with large Democratic majorities. The individualistic farmer feared that he would be charged excessive tolls on canals and railroads built and operated by private



companies. When the depression wrecked the numerous state systems undertaken in 1836 and 1837, government ownership lost favor.

The adoption of a general system for internal improvements on February 27, 1837, met with almost universal acclaim throughout the state. People everywhere were anticipating a flow of population into the state with an attending increase in business activity and rise in the price of land.<sup>89</sup> The opposition was confined quite largely to those whose pet projects were not incorporated into the system, or to those, who, like Governor Duncan, favored the construction of internal improvements by private companies authorized and aided by the government. The system was not a party measure because of the unanimity of the people in demanding it. Opposition was personal and sectional rather than political.

That the legislature had involved the state in a program of public works too costly for her resources and out of proportion to the needs of a frontier people is not to be denied, but to question its integrity of purpose is unjust. Popular sentiment so far as it had been expressed had given countenance and sanction to the action of the legislature in embarking upon public enterprises which were deemed necessary to advance the prosperity of the state by affording facilities for trade and intercourse.

It was a widely accepted idea that the success of public works had been demonstrated in other states. John A. McClernand, of Gallatin county, speaking in the legislature on January 31, 1837, during the debate on the internal improvement bill declared that the state of New York had shown the success and advantage of such works.<sup>90</sup> In January, 1835, McClernand stated, New York had completed at her own expense 539 miles of canal navigation costing \$11,488,035.99. The tolls that she realized from the Erie and Champlain canals alone for the year ending September 30, 1834, amounted to \$1,772,364.80. Pennsylvania, in January, 1835, McClernand went on to say, had in successful operation eight

<sup>89</sup> *Illinois State Register*, March 6, 1837; *Lacon Herald*, December 13, 1837.

<sup>90</sup> *Illinois State Register*, March 17, 1837.

canals, opening 601.71 miles of canal navigation, and 118.27 miles of railway, making a total of 720 miles of internal improvements owned by the state. The whole cost of these works according to the governor's message of 1835 was \$22,114,915.41, and the tolls for the year 1835 exceeded a million dollars, McClernand disclosed. He then pointed out that the canal system of Ohio amounted to nearly 400 miles, and the tolls received for the year ending October 31, 1834, aggregated \$290,791.12. Indiana, too, had embarked on a splendid system of internal improvements, McClernand argued.

The example of successful public works in other states had convinced the people that they must bestir themselves without delay, if they expected to place Illinois in a position of high rank among the states. In this they were using poor judgment because the successful works of New York and Pennsylvania afforded no fair example since they were intended to connect large cities and passed through settled areas, while the works projected in Illinois depended on the uncertainty of future development in the areas which they crossed.

At the time of adoption of the system there was a feeling of almost unbelievable optimism among the people of the state. During a speech delivered in the house of representatives on January 30, 1837, John Hogan of Madison county produced estimates to show that bank dividends expected to be ten per cent would give the state \$300,000 per year to pay interest on bonds; premiums on loans were estimated from five to ten per cent.<sup>91</sup> If need be a surplus revenue of \$500,000 might be obtained by the levy of a two mill tax on real estate. Interest accruing on this surplus would amount to \$45,000 per year, Hogan declared. By 1847, he thought, the system would be self sustaining when the tolls would amount to five per cent of the entire cost. Any enterprise, no matter how adventurous and chimerical, seems possible, however, in such a boom period as ushered into existence the internal improvement system of 1837.

<sup>91</sup> *Ibid.*, March 24, 1837.

#### CHAPTER IV

### ADMINISTRATION AND CONSTRUCTION OF THE INTERNAL IMPROVEMENT SYSTEM

THE act of February 27, 1837, created a board of commissioners of public works, consisting of seven members, one from each judicial district, to be elected biennially by the general assembly meeting in joint session, and to continue in office for two years, for the purpose of promoting and supervising the various improvements.<sup>1</sup> An oath of office and a penal bond of twenty thousand dollars was required of each of the commissioners, none of whom was allowed to retain in his hands more than \$20,000 at any one time. The board was authorized to hold semi-annual meetings on the first Monday of June and December at the seat of government, and at the first meeting to be convened on or as soon as convenient before the first Monday in April a secretary was to be appointed and one member of the board elected president. At the semi-annual meetings, the commissioners were to determine the general outline of operation, divide the work among the members, examine and audit accounts, make estimates of probable costs which were to be entered on the books and copies sent to the fund commissioners, and make out reports of their proceedings for the governor to lay before the legislature. The members of the board were allowed to receive as a compensation for their services the sum of five dollars per day for each day necessarily employed in the discharge of their duties.

The board was authorized to employ engineers who were to examine and survey all the public works of the state except the Illinois and Michigan Canal. Construction on the works was to be executed by contract; each job of work, for which due notice was to be published and sealed proposals received, was to be let to the lowest responsible bidder. The contracts were

<sup>1</sup> *Laws of Illinois, 1837, 121-51.*

to provide for forfeiture in case of noncompliance, abandonment, or neglect by the contractors, and no subletting was to be permitted. During the progress of construction, estimates of the probable amount of work actually done by the contractors on each respective job, were to be made by the engineer in charge of the work at stated periods not to exceed two months, and there was to be paid to the contractor a sum not less than sixty per cent on the amount of the work actually performed, and the balance was to be retained as a security to the state for the faithful performance of the contract until the work was to be accepted if done according to contract, and the balance paid in full to the contractor. In paying the contractors, the commissioners were to give drafts drawn on the board of fund commissioners, signed by the president of the board or the president protempore and countersigned by the secretary, payable to the order of the acting commissioner, and specifying on the face of the draft the particular work to which it was to be applied.

The board of commissioners of public works was empowered to receive grants and releases of land, and to enter and purchase on the behalf of the state any public lands lying within five miles of the probable route of any of the public works, which in the opinion of any two members of the board would be materially enhanced in value by the construction and completion of the contiguous work. Both commissioners and engineers were required to take an oath to keep secret all information they might receive relating to lands or choice town sites, that other persons might not enter or purchase them to the disadvantage of the state. Any violation of this provision was to be deemed a misdemeanor, punishable by a fine not to exceed \$5,000 and disqualification of further holding office.

The railroads were to be built on the most direct and eligible routes between the termini specified in the act. Construction on the various railroads was to be commenced simultaneously at each end, and at important towns and intersections with streams progress was to be made in both directions. This provision, which was one of the greatest weaknesses of the entire

system, was inserted in order that no one section would obtain an advantage over another, and because it was thought that portions of the roads leading to towns and streams completed first would be more productive of revenue than one continuous line. Railroads or branches built by individuals or corporations could be connected with the state works. Finally the board of commissioners was empowered to adopt and enforce such rules and regulations as might be deemed necessary and expedient to carry into full effect the provisions of the act.

The first board of commissioners of public works elected by the two houses of the legislature meeting in joint session on March 1 and 2, consisted of Murray McConnel, William Kinney, Elijah Willard, Milton K. Alexander, Joel Wright, James W. Stephenson, and Ebenezer Peck.<sup>2</sup> At its first meeting held in Vandalia, April 2-6, the board elected William Kinney, president, and G. W. Caruthers, secretary, and divided the state into four districts for engineering purposes.<sup>3</sup> One principal engineer, who was to be paid a salary of \$3,000 annually, was appointed by the board in each district. The acting commissioner of each judicial circuit was allowed to employ as many assistant engineers as were deemed necessary. A general office, styled the "Central Internal Improvement Office of the State of Illinois," was established at Vandalia, as well as one district office in each of the four engineering districts. A resolution passed on April 5, set forth the sums which the board expected to expend by September 1, as two and a half per cent of the amount appropriated on the railroads, \$125,000 on the Great Western Mail Route, \$50,000 on the Great Wabash, and five per cent of the amount appropriated on the other rivers. After having drafted instructions to the engineers in regard to surveys of the different works, the board adjourned until June.

Work on the railroads was delayed by the private companies

<sup>2</sup> *House Journal*, 1836-1837, 789-90, 812-13; *Senate Journal*, 1836-1837, 578, 597-99.

<sup>3</sup> *Illinois State Register*, April 7, May 5, 1837; *Internal Improvement Records*, VIII, 2. The board of public works decided to pay the secretary a salary of \$1000 per year. He was to be paid quarterly out of the internal improvements fund.



which neglected to relinquish their charters. The board of commissioners reported at their June meeting that the Illinois Central and the Alton and Shawneetown companies had failed to surrender their acts of incorporation.<sup>4</sup> These delays caused a loss of money as well as of time because some of the engineers in the employ of the state remained idle until the charters were finally released.

Section fifty-three of the internal improvement act of February 27, 1837, provided that construction of the Northern Cross Railroad should begin immediately.<sup>5</sup> That route accordingly received the prompt attention of the commissioners. The survey of the section between Springfield and Jacksonville was begun on May 11 and completed in June.<sup>6</sup> Proposals for bids were asked for on June 8, and the first contracts were let on July 10, when James Dunlap, Miron Leslie, Charles Collins, and Thomas T. January were declared the successful bidders to undertake construction of that section of the road extending from Springfield to the Illinois river.<sup>7</sup>

In the meantime surveys of other roads had been commenced; the report of the board of public works for June stated that the Northern Cross, the Mount Carmel and Alton, and two sections of the Central Railroad had been placed under survey.<sup>8</sup> By fall surveys were either completed or in progress on all the railroads and on the Great Western Mail Route.<sup>9</sup>

Not many contracts for construction work were let during 1837. On August 25, contracts were to be let for that portion of the Great Western Mail Route between Belleville and St. Louis, but the bids were so much higher than the estimate of the engineer that commissioners Kinney and Willard, who

<sup>4</sup> *Illinois State Register*, June 10, 1837; *Senate Journal*, 1837, special session, 14.

<sup>5</sup> *Laws of Illinois*, 1837, 151.

<sup>6</sup> *Illinois State Register*, June 10, 24, 1837.

<sup>7</sup> *Ibid.*, June 10, 1837. The original of the contract for the Jacksonville-Meredosia railroad is preserved in the vaults of the state library, archives division, Springfield.

<sup>8</sup> *Ibid.*, June 10, 1837.

<sup>9</sup> *Hennepin Journal*, September 28, 1837; *Illinois State Register*, July 15, September 15, November 4, 24, 1837. Manuscript accounts of the surveys are preserved in the vaults of the state library, archives division, Springfield.



were in charge of the letting, rejected all proposals, and advertised another letting on October 9.<sup>10</sup> Consequently, on that date the levee and macadamizing on the American Bottom was let to Wistanley and Duffy, and improvements at Silver Creek to Isaac Dement, for proposals slightly higher than the engineer's estimates.<sup>11</sup> Other bids were rejected because they were too high. An additional letting was held for the Northern Cross road on October 31, when the section between Springfield and the Sangamon river was awarded to Reuben Radford, James F. Reed, J. M. Early, and John Calhoun.<sup>12</sup> Three days later ten miles of the Pekin and Bloomington Railroad were placed under contract.<sup>13</sup> The work was divided among numerous contractors of very limited resources, and since the prices of materials and provisions and the salaries of laborers were so high, they were unable to fill their obligation and had to forfeit their contracts. The total expenditures by the commissioners on all public works up to December, 1837, amounted to \$82,277.82, the larger part of which was spent on surveys.<sup>14</sup>

At the December meeting, the board of commissioners decided to place 266 miles of railroad under contract during the ensuing six months, to be distributed among the different roads as follows: for the Illinois Central, from Cairo northward twenty miles, from the Illinois river eleven miles in both directions, from Galena southward twenty miles; for the Alton and Shawneetown, Shawneetown to Equality twelve miles; for the Alton and Mount Carmel, Alton to Edwardsville fifteen miles, Mount Carmel to Albion eighteen miles; for the Southern Cross, from Alton eastward twelve miles, from state line via Paris westward eighteen miles; for the Northern Cross, Quincy to Columbus fifteen miles, Danville westward eighteen miles; for the Peoria and Warsaw, from

<sup>10</sup> *Ibid.*, September 15, 1837.

<sup>11</sup> *Ibid.*, October 27, 1837.

<sup>12</sup> *Ibid.*, November 24, 1837; *Illinois Republican*, November 8, 1837.

<sup>13</sup> *Illinois State Register*, September 22, November 24, 1837.

<sup>14</sup> Report of the board of public works, December 1837, *Ibid.*, December 29, 1837; *Sangamo Journal*, January 12, 1838.

Peoria westward twelve miles; and for the Pekin and Bloomington, Pekin to Fremont (previously let) ten miles.<sup>15</sup>

The competition among the contractors at the lettings was usually very keen. For example, a total of 353 bids were received at the lettings held on April 17 for the twenty-four miles put under contract on the Peoria and Warsaw line.<sup>16</sup> Out of state contractors often received more contracts than the local bidders, because there were but few firms within the state that possessed adequate resources to undertake the expensive preliminary work of importing equipment and supplies. When eighteen miles of the Central Branch Railroad were put under contract on March 1, there were successful bidders from Ohio, Indiana, Maryland, and New Hampshire.<sup>17</sup> At the lettings for the Peoria and Warsaw road, all the successful bidders, with one or two exceptions, were from a distance.<sup>18</sup> The contracts generally called for larger expenditures than the engineers had estimated. For the twenty miles on the Galena end of the Central Railroad let on May 12, the contracts amounted to \$33,929, which was \$3,878 over the engineer's estimate.<sup>19</sup> The northern end of the Central was one of the less expensive routes. The average cost for preparing the roadbed on most of the lines averaged well above \$4,000 per

<sup>15</sup> *Illinois State Register*, December 9, 1837. Contracts let during 1837 included the following: Alton to Edwardsville, February 15; eighteen miles westward from Danville, February 22; eighteen miles from state line via Paris toward Charleston, March 1; Mount Carmel to Albion, March 8; Shawneetown to Equality, March 15; twelve miles on each end of Peoria and Warsaw Road, April 17; twenty miles northward from Cairo, May 7; twenty miles southward from Galena, May 12; Quincy to Columbus, May 15; eleven miles on each side of Illinois river of the Illinois Central, June 25; three miles southward from Vandalia, August 13; three miles at Meredosia, August 15; three miles of Naples branch, August 15; portions of Great Western Mail Route, August 16 and 18; three miles northward from Cache river, August 23; two miles of Central at Embarrass river, September 4; superstructure and depot at Shawneetown and Equality, September 10; three miles between Fairfield and Albion, October 18; thirteen miles eastward from Alton, two miles of Alton and Mount Carmel road in Clinton county, three miles between Lebanon and Edwardsville (relet), and Lebanon to Salem not heretofore let, October 22; twenty-three miles of superstructure northward from Cairo, November 17. *Ibid.*, December 1837-December 1838.

<sup>16</sup> *Lacon Herald*, April 28, 1838.

<sup>17</sup> *Illinois State Register*, March 16, 1838.

<sup>18</sup> *Lacon Herald*, April 28, 1838.

<sup>19</sup> *Illinois State Register*, June 1, 1838. Many of the original contracts are on file in the vaults of the state library, archives division, Springfield.

mile. For example, lettings on the Peoria and Warsaw road averaged \$4,124.41 per mile.<sup>20</sup> The contracts, of course, did not include the cost of the iron and the work of laying down the track. All the contracts contained provisions specifying the time within which the work had to be commenced and the date at which it was to be completed.

While equipment and provisions were scarce and high in price, the supply of labor was adequate.<sup>21</sup> Laborers received sixteen or eighteen dollars a month and board.<sup>22</sup> The high prices forced a number of the contractors to forfeit their contracts. Relettings had to be held on October 31, 1838, for the superstructure on the western division of the Southern Cross Railroad and for portions of the grading on the Great Western Mail Route through the American Bottom.<sup>23</sup>

The total mileage of railroads under contract by December 1, 1838, amounted to two hundred ninety-three and three-fourths miles, according to the semi-annual report of the board of public works.<sup>24</sup> The contracts provided for the construction of the superstructure on thirty miles, and for grading only on the residue. A total of one hundred five miles of grading had been completed. The board estimated the average cost at \$12,500 per mile for all expenses of the roads under contract. This is in contrast to the estimate of \$8,000 per mile made by the house committee on internal improvements in 1837 when the bill to establish the system of internal improvements was introduced in the legislature. The board further estimated the mileage of the railroads to be constructed at 1,341  $\frac{3}{4}$  and their total cost at \$11,470,444.50. It pointed out that this sum exceeded the original estimate because the roads were found to be longer than had been expected. The report of the fund commissioners shows that a total of \$1,142,027.75 had been expended on the various projects to December of 1838. At the same time the sum of \$144,700 had been paid the counties

<sup>20</sup> *Ibid.*, March 16, 22, May 4, 1838; *Lacon Herald*, April 28, 1838.

<sup>21</sup> *Illinois State Register*, June 15, 1838.

<sup>22</sup> *Ibid.*, July 6, 1838.

<sup>23</sup> *Internal Improvement Reports*, 1838-1839, report of the board of public works, December 26, 1838, 76, 79.

<sup>24</sup> *Ibid.*, 8-12.

which were not to share in the benefits of the internal improvement system.<sup>25</sup>

A project for improving the American Bottom received much attention in 1838. In 1837 the legislature had created a board of managers to conduct a lottery for the purpose of raising funds to be expended in draining the lakes and ponds and in constructing roads in the bottom lands extending along the Mississippi from Wood river to the Kaskaskia. The president of the board made a report in April of 1838, which cited the many benefits which would accrue from the accomplishment of the project. At the same time a suggestion was made that the individuals owning land situated in the American Bottom should submit to a tax of one dollar per acre on the amount of land they held. The board of managers of the lottery also induced Adam Snyder to introduce a bill in Congress seeking a grant of all the drowned or unentered lands in the bottom to the state. The project to improve the American Bottom failed because the promoters were unable to sell the lottery tickets, even though advertisements announcing their sale were widely circulated for three or four years.<sup>26</sup>

River improvement was also receiving its share of attention. On May 12 contracts were let at Dixon for constructing a stone lock and three-fourths of a mile of canal along the lower rapids of the Rock river. From August 10 to 22 bids were received by Milton K. Alexander and Thomas H. Blake, commissioners for the states of Illinois and Indiana, at their office in Mount Carmel, for the construction of a steamboat lock and a dam across the Wabash river at the foot of the Grand Rapids.<sup>27</sup> The work was to cost upwards of \$150,000. Colonel William C. Greenup, principal assistant engineer for the second judicial district, reported to William Kinney on July 17 that surveys of the Kaskaskia river had been completed from its mouth to the city of Vandalia.<sup>28</sup> He estimated that the

<sup>25</sup> *Sangamo Journal*, January 12, 1839.

<sup>26</sup> *Illinois State Register*, December 7, 1838; *Illinois State Lottery*, 1839, a two page circular; *Chicago Democrat*, July 17, 1840.

<sup>27</sup> *Illinois State Register*, March 9, June 1, August 3, 1838.

<sup>28</sup> *Ibid.*, July 13, August 24, 1838.

river could be improved for 180 miles of its course so as to give it a navigable depth of three feet at a cost of \$19,536.79. The people of Athens displayed their interest in the project by giving a large public dinner in honor of engineer Greenup and commissioner Kinney at the conclusion of the surveys.<sup>29</sup> No really worthwhile improvement was accomplished on any of the rivers.

As construction was undertaken on the railroads terminating on the eastern boundary of the state, it was seen that they would be practically useless without connections with their intended termini in the state of Indiana. At their meeting held in December, 1837, the commissioners of public works passed resolutions requesting the state of Indiana to build railroads from the Wabash and Erie Canal to the state line in the direction of Danville, from New Albany on the Ohio to a point on the Wabash opposite Mount Carmel, and from Terre Haute to the state line to connect with the Central Branch Railroad in Illinois.<sup>30</sup> The question was taken up for consideration by the legislature in its session during 1838-1839. A joint resolution was passed by the two houses requesting the legislature of Indiana, then in session, to take some action in regard to the extension of the Northern Cross and the Central Branch railroads to their intended terminals.<sup>31</sup> If Indiana was unwilling to undertake the construction, a request for a grant of the right of way was made to allow Illinois to do it. A law was passed at the same session authorizing the board of public works to survey and construct the continuation of the eastern ends of the Northern Cross and the Central Branch railroads into Indiana as soon as they were officially informed that the state of Indiana had granted the right of way.<sup>32</sup>

The rapid progress made on the various railroads in 1838 and the apparent success of the system led to numerous demands for its enlargement. Such demands continued to be heard from sections which had failed to have their projects

<sup>29</sup> *Ibid.*, August 10, 1838.

<sup>30</sup> *Ibid.*, December 9, 1837.

<sup>31</sup> *House Journal*, 1838-1839, 86; *Senate Journal*, 1838-1839, 64, 66.

<sup>32</sup> *Laws of Illinois*, 1839, 96.



incorporated into the system in 1837 as long as the state could borrow money to carry on construction. In spite of forebodings of difficulty in state finances, the general assembly of 1838-1839 not only did not repeal or modify the extensive system, but in an amendatory law, made further specific appropriations and authorized additional works involving an outlay of nearly a million dollars.<sup>33</sup> The new appropriations included \$50,000 to improve the Rock river; \$150,000 for the Little Wabash; \$20,000 for the Great Western Mail Route; \$100,000 for a railroad from Rushville to the Illinois river at Erie; \$20,000 for the Big Muddy river; \$7,000 for the Embarrass river; \$5,000 for the Spoon river; and \$10,000 for a road from Cahokia creek to Kaskaskia. In addition to these specific appropriations, authorization was made for extending the improvement of the Illinois river up to the city of Ottawa and the construction of a lateral branch railroad from some eligible point on the Alton and Shelbyville line between Hillsboro and Alton to Carlinville in Macoupin county. The same act permitted the board of public works to extend the time prescribed to contractors for completing their contracts, whenever, in the opinion of the board and the acting commissioner on the line, the interest of the state would not be injured by the extension.

Suggestions for enlarging the internal improvement system were also made by the board of public works. In a report made to the house of representatives on January 11, 1839, the board recommended that a turnpike be constructed from Charleston to the Wabash river and that either a canal or railroad should be built around the Des Moines rapids in the Mississippi river.<sup>34</sup> The house committee on internal improvements could not recommend construction of the latter work by the state, but suggested that a private company might build it. No action was taken by the legislature on either project.

The desire for internal improvements caused many private enterprises to be projected at the same time as the state sys-

<sup>33</sup> *Ibid.*, 1839, 89-95, 285.

<sup>34</sup> *Internal Improvement Reports*, 1838-1839, report of the board of public works relative to the survey of a route from Charleston to the Wabash river, 2.

tem. A Beardstown and Sangamon canal was a popular project in the Sangamon country. On December 28, 1835, a company with a capital of \$300,000 was chartered to undertake the construction of a canal from Beardstown to the Sangamon and then to improve the river through Sangamon county into Macon county.<sup>35</sup> A year later engineer William Pollock, who had surveyed the route, reported to the directors of the company that such a canal would cost \$811,082.<sup>36</sup> In 1837 and again in 1838, the project received favorable notice in the Springfield papers.

Among the other projects was one for a railroad from Alton to Springfield. The *Sangamo Journal* pointed out in an editorial on November 24, 1838, that the importance of this enterprise was not duly considered when the legislature passed the internal improvement law. It declared that the railroad then under construction from Springfield to the Illinois river was of little real advantage because in dry weather the Illinois became closed to navigation so that the produce from Sangamon county would have to be taken to Alton in wagons as formerly. A public meeting held at Alton on November 30, 1838, passed a resolution stating that it was desirous to have the Alton and Springfield railroad identified with the general improvement system of the state.

Private enterprises in other sections of the state included a project for a railroad from Bloomington to Rock Island by way of Hennepin.<sup>37</sup> In the southern part of the state the village of Caledonia sought to rival Cairo as the terminal of the Illinois Central Railroad. At the special session of the legislature in 1837 a company was chartered to construct a railroad from Caledonia on the Ohio, to intersect the Central at Jonesboro or some convenient point south of Jonesboro.<sup>38</sup> It was thought that since Caledonia was located on high ground it would have an advantage over Cairo which was situated in a

<sup>35</sup> *Laws of Illinois*, 1836, 97-101.

<sup>36</sup> *Illinois State Register*, September 15, 1837; *Sangamo Journal*, January 6, 1837, July 7, 1838.

<sup>37</sup> *Alton Telegraph*, May 9, December 8, 1838.

<sup>38</sup> *Laws of Illinois*, 1837, special session, 36-39; *Illinois State Register*, June 15, 1838.

marsh at the confluence of the Ohio and the Mississippi. The stock of the Caledonia Railroad Company was put on sale in New York on July 16, 1838, but there were no buyers. An interesting enterprise though not of any great significance was the railroad constructed by Ex-Governor Reynolds and some of his friends from Illinoistown to the Mississippi opposite St. Louis.<sup>39</sup> This railroad, built with wooden rail and operated by horse-power, was used to convey coal from the bluff to the bank of the Mississippi whence it was ferried to St. Louis.

The administration of the internal improvement act was attended by much difficulty because of the provision which required simultaneous construction everywhere at once and the people living along those sections which were not immediately put under contract soon became impatient and sought to bring pressure upon the commissioners for a letting of contracts on the line in which they had an interest. The first of numerous meetings held to rush construction on particular projects met at Springfield on April 10, 1837, for the purpose of calling on the people living along the line of the Northern Cross Railroad to make "a long pull and strong pull and a pull together" for that particular road.<sup>40</sup>

An assembly of Union county residents held at Jonesboro on July 1, passed a resolution declaring that the Illinois Central Railroad Company should surrender its charter so that the state could begin construction on the Central Railroad.<sup>41</sup> On November 21, delegates from Wayne, Edwards, and Wabash counties met at Mount Carmel to memorialize commissioner Milton K. Alexander for an early letting of contracts on the eastern end of the Alton and Mount Carmel Railroad.<sup>42</sup> It was pointed out that the Mount Carmel and Alton Railroad Company was the first private company to give up its charter involving works of the state system.

The people along the Peoria and Bloomington Railroad were especially active in pushing their interests. At a meeting

<sup>39</sup> *Ibid.*, September 15, 1837, March 2, 1838.

<sup>40</sup> *Sangamo Journal*, April 15, 1837.

<sup>41</sup> *Illinois State Register*, July 14, 1837.

<sup>42</sup> *Ibid.*, December 22, 1837.

held at Peoria on January 29, 1838, a committee was appointed to communicate with William Kinney and inquire as to why the railroad from Peoria to Bloomington had not been put under contract.<sup>43</sup> The committee sent a letter on February 7, to which Kinney replied on February 24, that the contract would be let in due time. He sought to quiet his petitioners by pointing out that the southern part of the state was not complaining even though it had not received a fair share of the contracts. They, however, carried their grievance to the legislature when it convened in December. The senate sent the board of public works a resolution calling for information in relation to the difficulty.<sup>44</sup> The board reported on January 28, 1839, that it had been following a course of distributing the work on the various roads in the different parts of the state so as not to give any one work or any separate portion of the state an advantage over another; in making this distribution it was found that nine miles was all that in justice could be awarded to the road in question. The senate laid the report on the table.

On May 12, 1838, residents of Fayette county met at Vandalia in an effort to speed up construction on the Illinois Central Railroad.<sup>45</sup> Resolutions were passed expressing gratification at the vigorous prosecution of the work at the extremes of the road, and requesting the board of public works to put a portion of the railroad under contract at Vandalia, the "center" of the project. Commissioner Kinney forthwith advertised a letting on August 13 for three miles of the road at Vandalia.<sup>46</sup>

In a number of instances serious problems arose in connection with locating the routes of the various railroads. The internal improvement act made no provision except that they were to be built on the most direct and eligible routes between their specified termini. It was intended that the final decisions were to be made on the advice of the engineers by the board

<sup>43</sup> *Ibid.*, March 30, 1838.

<sup>44</sup> *Reports General Assembly*, 1838-1839, letter of William Kinney to the Senate, January 28, 1839, I.

<sup>45</sup> *Illinois State Register*, May 18, 1838.

<sup>46</sup> *Ibid.*, June 29, 1838.

of public works. It was but natural that local interests should seek to have the railroads located to their own advantage.

The first case arose in connection with the routing of the Northern Cross through Jacksonville. After the contracts had been let providing for the construction of the railroad on a route alongside the town, the inhabitants of Jacksonville made a request that it should be routed through the principal street with a depot on the public square.<sup>47</sup> The board of public works in their biennial meeting of December, 1837, issued a report stating that the request could not be met for a change would involve the state in expenses which might have been avoided if the people of Jacksonville had made their wishes known at an earlier date. Still dissatisfied, the people of Jacksonville assembled in a public meeting to present their grievances. Murray McConnel, the acting commissioner for the first judicial district was in attendance and assured the gathering, that if, after the resurvey which he intended to have made, the engineers should find the proposed route through the town better than the original one, he would endeavor to have the route altered. When the engineers reported adversely on the change, the people of Jacksonville again met and appointed a committee to communicate their sentiments to McConnel. In an exchange of letters during April and May, 1838, the committee claimed the public square route would be cheaper by \$29,000, and charged McConnel with laying out the route so that the railroad would pass his house. In his reply McConnel stated that the route through the square would be 600 feet longer and cost \$1,700 more than the line originally adopted, and in any case, one commissioner alone could not change the route.

Another case involving the Northern Cross road pertained to the crossing of the Illinois river. When a rumor was heard that the Illinois might be crossed at Naples instead of Meredosia, the inhabitants of Mount Sterling met in a public meeting on January 11, 1838, to make a protest.<sup>48</sup> A committee was

<sup>47</sup> *Ibid.*, December 9, 1837, February 2, May 25, 1838.

<sup>48</sup> *Ibid.*, March 2, 1838.



appointed to call upon William Kinney to convene a special meeting of the board of public works to put the road under contract from the Illinois river to Mount Sterling. Kinney replied on January 27 that were the board to meet at the call of Mount Sterling, it would have to meet at the request of every village in the state.

The board of public works had to contend with local interests at two points in locating the route of the Illinois Central. On May 24, 1838, the citizens of Galena held a meeting and appointed a committee of five to communicate with James W. Stephenson, commissioner of the sixth district, concerning the location of the termination of the Central road on the eastern bank of the Fever river.<sup>49</sup> The committee in its communications to Stephenson stated that nineteen-twentieths of the people of Galena wanted the railroad to terminate on the western bank of the river. On May 28 the trustee of the town sent a protest to the commissioners, who replied that no termination had been decided on and that the action of the citizens of Galena had been premature. Stephenson recommended that a depot should be built on both sides of the river. The legislature decided the question on March 4, 1839, by passing an act authorizing the board of public works to locate the northern terminal of the Illinois Central on the west side of the Fever river and routing the railroad across the river at some point between Lampkin's ferry landing and Frederick's Point.<sup>50</sup>

The location of the southern end of the Central road from Vandalia to Cairo also created a conflict among local interests. After the board of public works had decided on the route and let twenty-three miles of contract, the citizens of Alexander county presented a petition to the legislature in an effort to secure a rerouting.<sup>51</sup> The house committee on internal im-

<sup>49</sup> *Internal Improvement Reports, 1838-1839*, report of the board of public works to the house of representatives, January 29, 1839, 5-9.

<sup>50</sup> *Laws of Illinois, 1839*, 99.

<sup>51</sup> *Illinois State Register*, February 5, 8, 1839; *Internal Improvement Reports, 1838-1839*, report of the select committee on the proposed change of the southern termination of the Central Railroad submitted to the house of representatives, January 28, 1839, 1-6.

provements, to which the petition was referred, recommended that the route should not be changed as it would add \$200,000 to the cost of the road. It pointed out that a change would set a bad precedent, and result in a general movement for alterations. The question was then referred to a select committee for consideration. James Copeland of Johnson county reporting for a majority of the select committee, recommended that the railroad should deviate from a straight line south of Vandalia, so as to pass through Salem, Mount Vernon, Frankfort, and Vienna, all of which were county seats. He also strongly recommended a termination at some point on the Ohio between its mouth and the Grand Chain so as to avoid six miles of embankment varying from eight to more than twenty feet in height together with an expensive bridge over the Cache river which would be necessary if the road was to terminate at Cairo according to the original plans.<sup>52</sup> A bill embodying these recommendations was introduced in the house but failed to go to the third reading.<sup>53</sup>

The city of Cairo deserves some attention because of its connection with the internal improvement system. The idea of a city at the confluence of the Ohio and Mississippi rivers originated in 1818 when John Comegys of Baltimore, Shadrach Bond, and others entered 1800 acres of land at the mouth of the Ohio, and obtained from the territorial legislature a charter under the name of the "City and Bank of Cairo" for the purpose of building a city which would be the commercial depot for the western states.<sup>54</sup> Arrangements were being made by the company to secure capital abroad, when the sudden death of Comegys, the master spirit of the enterprise, stopped further action and the land reverted to the government.

In 1835, D. B. Holbrook, Sidney Breese, David J. Baker, Miles A. Gilbert, and others entered the forfeited bank tract,

<sup>52</sup> In a minority report R. G. Murphy of Perry county contended that the route chosen by the board of public works was but 155 miles in length while the change would mean an increase to 165 miles and an additional expense of \$80,000. He pointed out that the state had already expended \$40,000 and made contracts binding on the state amounting in the aggregate to \$277,794. *Ibid.*, 9-10.

<sup>53</sup> *House Journal*, 1838-1839, 296, 427.

<sup>54</sup> *Laws of Territorial Illinois*, 1818, 72-82.

and by chartering the Illinois Central Railroad Company in 1836 they hoped to build a railroad from the termination of the Illinois and Michigan Canal to the mouth of the Ohio with Cairo as its southern terminus developing into a great commercial metropolis.<sup>55</sup> When the state created the internal improvement system in 1837, the Illinois Central Railroad Company relinquished its charter with the understanding that the Central Railroad of the state system would terminate at the "City of Cairo."<sup>56</sup> Holbrook and his fellow promoters then made further purchases of land and incorporated the Cairo City and Canal Company. The act of incorporation authorized the company to lay off its land into lots for a town to be known as the "City of Cairo," to construct levees and embankments for the security of the city, and to construct a canal through the city to the Cache river.<sup>57</sup> A large loan was negotiated in England in 1836 and expended on drydocks, levees, mills, foundries, and stores by Holbrook and his associates.<sup>58</sup> By deceiving the members of the general assembly who were unacquainted with local situations of the country, they had gotten the name of Cairo inserted in the act of 1837 as the terminating point of the Central Railroad. When the state undertook to construct that road, they insisted on the termination remaining at Cairo even though the state was to be compelled to raise an embankment to a height of from eight to twenty feet over eight miles of alluvial bottom, build an expensive bridge over the Cache river, and raise the depot in the city many feet, whereas, if the bill had become a law without naming any particular point, the railroad could have been located on better ground and terminated on land that never

<sup>55</sup> *Illinois State Register*, December 13, 1836; *Laws of Illinois*, 1836, 129-35.

<sup>56</sup> Letter of D. B. Holbrook to the house of representatives, December 22, 1836. Included in miscellaneous assembly papers now in possession of the state library, archives division, Springfield.

<sup>57</sup> *Laws of Illinois*, 1837, 302.

<sup>58</sup> *Illinois State Register*, December 28, 1838, February 5, May 10, 1839. A letter written on February 3, 1841, by S. Howard to W. Strickland, a Philadelphia architect, and published in the *Sangamo Journal* on April 9, 1841, described the progress made on the City of Cairo at that time. Five hundred men were employed on building the levee. Two sawmills and a foundry were in operation. A drydock and two steamboats were under construction. Three stores were completed and doing business.

overflowed.<sup>59</sup> With the collapse of the internal improvement system the enterprise at Cairo also failed.

That the administration of the internal improvement system would be attended by instances of misconduct was to be expected. It was utterly improbable that among the great number of public officers and agents required to carry on such an extensive system that there would not be some who would prove unfaithful to the trust imposed upon them. Some of the commissioners were guilty of neglect and mismanagement, if not of outright fraud, in conducting the affairs of their office. At the 1838-1839 session of the legislature a joint select committee, consisting of William Gatewood, John S. Hacker, Orville H. Browning, and William A. Richardson from the senate, William F. Thornton, John Calhoun, Jeffrey Robinson, John J. Hardin, William W. Roman, Joseph Naper, and Augustus C. French from the house, was appointed to investigate charges of fraud and incompetence which had been brought against some of the commissioners.<sup>60</sup> A majority of the committee presented the senate on February 20, 1839, with a report which listed the charges that had been brought against the various commissioners during the investigation, but made no comment or recommendation, except to express the opinion that the practice of the commissioners of expending money on other works than those for which it was drawn should be corrected.<sup>61</sup> The report was laid on the table.

A minority of the select committee, consisting of Browning, Roman and Hardin, made a lengthy report on March 1, in which they discussed the different charges made against various internal improvement officials.<sup>62</sup> The first case before the investigating committee concerned the purchase of a tract of land in Meredosia of James E. and Daniel Waldo by Murray McConnel, while he was acting commissioner of the first judi-

<sup>59</sup> *Internal Improvement Reports, 1838-1839*, report of the select committee on the proposed change of the southern termination of the Central Railroad submitted to the house of representatives, January 28, 1839, 5.

<sup>60</sup> *House Journal, 1838-1839*, 150, 153; *Senate Journal, 1838-1839*, 117, 126.

<sup>61</sup> *Ibid.*, 1838-1839, 371; *Reports General Assembly, 1838-1839*, report of the joint select committee appointed to examine the offices of the fund commissioners and the board of public works, 3-10.

<sup>62</sup> *Ibid.*, 124-30.

cial district. During the investigation a bond was produced purported to have been executed by McConnel to the Waldos on January 5, 1837, in which he agreed that if they would buy the tract of land in question from Joseph Duncan at a sum not exceeding \$25,000, he would take one-third of the purchase at cost. This bond, it was admitted, was executed by McConnel. A question arose, however, as to the time of its execution. The date of the bond was prior to the passage of the internal improvement law or the election of the commissioners. James Waldo testified that it was written by himself on April 21, 1837, and was antedated because, in a contract which he and Daniel Waldo had made a short time previous with McConnel for the purchase of the land, he had been requested by McConnel to date it in January so as to circumvent the forty-seventh section of the internal improvement law which prohibited commissioners from purchasing property situated adjacent to the line of the railroads. There was a provision in the bond permitting Duncan to exclude a number of lots which he intended to donate to Illinois College. Ex-Governor Duncan testified that his intention to donate the lots to Illinois College could not have become known to McConnel or Waldo until the sale was made in April, 1837. Obviously then, that provision could not have been put into the contract if it had been made in January.

The Northern Cross Railroad, as first located in the town of Meredosia in 1837 by McConnel, passed through the land he had purchased of Duncan. After the contracts were let, there was some dissatisfaction with the location of the road on the part of the contractors, and, at their request, the board of public works authorized the chief engineer to locate it where he thought best. He accordingly changed the line so as to strike the Illinois river much lower down. By this alteration of the route, no part of the land purchased by McConnel adjoined the railroad, and he repeatedly displayed his displeasure at the change. The minority of the select committee expressed the opinion that if the railroad had continued to remain as first located, there would have been a direct viola-



tion of the forty-seventh section of the internal improvement act. The antedating of the bond and the fact that the contract with the Waldos was made before the road was located was fairly conclusive evidence of an intention on the part of McConnel to evade the act for the purpose of private pecuniary advantage.

A second charge made against McConnel accused him of locating the Naples branch of the Northern Cross Railroad so as to make the route longer and more costly by \$18,000 than the one recommended by the principal engineer. The report of Browning, Roman, and Hardin expressed the opinion that the commissioner acted improperly in selecting the longer route contrary to the advice of the chief engineer.

In a third charge McConnel was accused of having violated the fiftieth section of the internal improvement act, because he did not obtain the relinquishment of the right of way of the Naples and Jacksonville Railroad Company before the Northern Cross Railroad was located down Wolf Run. Since it had a charter for constructing a railroad through Wolf Run from Jacksonville to Naples, and had expended some money on the road, the company claimed the state could not build a railroad to either Naples or Meredosia from Jacksonville without paying it damages. Miron Leslie, the president of the company, suggested to McConnel that the state should take over the route held by the company and pay it for the work done.<sup>63</sup> The evidence presented in the investigation brought out the information that the two owners and controllers of the Naples and Jacksonville Railroad Company, Leslie and Collins, had been contractors on the Northern Cross road between Jacksonville and Meredosia, and that soon after the contract was let in July, 1837, they commenced work on their own road through Wolf Run. Later they gave up their contract after a large part of the work had been done, and then they claimed damages from the state for constructing the Northern Cross road over the very ground which they themselves had worked. The minority committee expressed the view that such a scheme

<sup>63</sup> *Internal Improvement Reports, 1838-1839*, report of the board of public works, December 26, 1838, 43-44.

to make money out of the state should have been discountenanced by the commissioner.

The final charge against McConnel involved the purchase of a lot in Jacksonville on the immediate line of the Northern Cross Railroad. The purchase was supposed to have been made a few days prior to the location of the road being publicly made known. S. C. Fogus, the former owner of the lot, testified that if he had known the road was to be located where it was, he would not have sold for the price which he obtained for the land. McConnel appeared to have been guilty of a direct violation of the provisions of the forty-seventh section of the internal improvement act in making this purchase.

The committee was requested also to inquire whether William Kinney, the commissioner of the second judicial district, had violated the eighteenth section of the internal improvement act in changing the location of the Great Western Mail Route in Belleville and at other points. The evidence presented to the committee showed that the change was demanded by a majority of the citizens of the town. The question was raised in this case whether a commissioner had the right to change the location of a road to a more costly route when private citizens agreed to make up the difference in cost between the two locations. The minority of the committee expressed the view that such a practice was exceedingly improper because it would create a tendency to make private citizens bid against each other for the location of a route. John Murray, who requested the inquiry, did not charge Kinney with corruption, but thought that the law had been violated by an improper interpretation.

Charges were also brought forward against the engineer and commissioner in charge of the lettings made for the Peoria and Warsaw on April 17, 1838, for improper conduct in not giving the work to the lowest responsible bidder. The final charge presented to the committee came from James Oakley and Egbert Dewey, and accused A. R. Parker, resident engineer on the Quincy and Meredosia route, of "incompetency" — "neglect of duty" — "blindly yielding to the unwarrantable

demands of individuals for work under contract, without regard to rights and interests of the state" — "making false returns of bills of expense" — and "a course of conduct to assistant engineers insulting and dishonorable."<sup>64</sup>

The legislature took no action on the charges against the commissioners, but laid the reports of the committee on the table. Whig papers, including the *Alton Telegraph*, the *Mount Carmel Herald*, the *Sangamo Journal*, and the *Illinoisian* tended to play up the charges against the board of public works, while the Democratic press, headed by the *Illinois State Register*, was inclined to discount them.

Two years later another select committee was appointed to investigate the contract for the improvement of the upper rapids on the Rock river made on June 8, 1839, by John Dixon, commissioner of the sixth judicial district, with E. G. Nichols.<sup>65</sup> The committee consisting of William J. Gatewood, John Hamblin, and George W. Harrison, made a report of its findings to the senate on February 19, 1841. The evidence presented at the investigation disclosed that the bids for the work on the Rock river had been let on May 29, 1839, while the contract was dated June 8, 1839. Frederick R. Dutcher testified that Nichols' bid had been for about \$55,000 which made it considerably lower than the engineer's estimate of \$60,000. The investigation disclosed, however, that Nichols' contract as filed in the office of the board of public works was for \$78,161.10. The contract was in the handwriting of Smith Gilbraith, who was the private secretary of commissioner John Dixon at the time of the letting. In the winter of 1839-1840 Gilbraith and Nichols had formed a partnership and in April, 1840, Gilbraith took over one-fourth of the Rock river contract from Nichols. According to the testimony of Samuel M. Bowman, Gilbraith made \$8,000 out of the contract.

The select committee in its report recommended that the attorney general take such steps to investigate further the

<sup>64</sup> *Reports General Assembly, 1838-1839*, senate, report of the joint select committee appointed to examine the offices of the fund commissioners and the board of public works, 130.

<sup>65</sup> *Ibid.*, 1840-1841, senate, 443-45.

contract as he might think best to arrive at the correct information. With that the investigation was dropped.

As the year 1839 opened construction on the public works system was being pushed forward at a rapid rate. Many additional contracts were let for work on the various lines.<sup>66</sup> During the six months from December 1, 1838, to June 1, 1839, expenditures by the board of public works amounted to \$672,808.27.<sup>67</sup>

The term of office for the first commissioners of the board of public works expired on March 1, 1839. Accordingly, on February 19, the two houses of the legislature met in a joint session to elect a new board, which resulted in the election of Jesse B. Thomas for the first judicial district, John Hogan for the second, Elijah Willard for the third, Milton K. Alexander for the fourth, Hart Fellows for the fifth, John Dixon for the sixth, and Ebenezer Peck for the seventh district.<sup>68</sup> Thus four members of the old board were re-elected. The new board consisted of three Democrats, three Whigs, and one independent.<sup>69</sup>

During the summer of 1839 the internal improvement fund became exhausted because the fund commissioners were unable to make further sales of state bonds. On June 12, John Tillson, one of the fund commissioners, wrote to Milton K. Alexander to advise him that the board of public works should let no more contracts until funds could be provided.<sup>70</sup> Proposals that the contractors be paid in state bonds met with disfavor because it was felt that such a measure would depress state credit so that all hope of selling the bonds in the future would be gone.<sup>71</sup> The board of public works held a special meeting at Springfield on August 22 and adopted an order suspending all work under contract which did not form a continuous line of work.<sup>72</sup>

<sup>66</sup> Report of the board of public works, June 21, 1839, *Illinois State Register*, August 24, 1839.

<sup>67</sup> *Ibid.*

<sup>68</sup> *House Journal*, 1838-1839, 445-49; *Senate Journal*, 1838-1839, 355-60.

<sup>69</sup> *Illinois State Register*, February 22, 1839.

<sup>70</sup> *Reports General Assembly*, 1839-1840, senate, 453.

<sup>71</sup> *Sangamo Journal*, August 9, 1839.

<sup>72</sup> *Reports General Assembly*, 1839-1840, senate, 153.

The contractors were to receive payment for the work done and for the losses which they incurred as result of the suspension of construction. Governor Carlin warmly endorsed the action of the board and expressed regret that such action had not been taken sooner.<sup>73</sup> Operations were suspended on practically all works by December of 1839. The board of public works reported at that time that a total of \$2,625,803.39 had been spent on the public works and that \$6,269,813.56 would be needed to complete the system.<sup>74</sup>

Numerous requests for a special session led Governor Carlin to convene the general assembly on December 9, for its first meeting in Springfield.<sup>75</sup> After nearly two months of wrangling the legislature passed an act on February 1, 1840, to abolish the board of fund commissioners and the board of public works.<sup>76</sup> A new board of public works of three members was created, and empowered to settle and adjust all liabilities incurred under the internal improvement system and to give drafts to the contractors for the amounts due them. All engineers and agents of the state were to be paid and discharged except those needed to decide on the amount due the contractors, and any property belonging to the state which could not be used or which would depreciate was to be sold. On the same day that the act was approved the two houses of the legislature met in a joint session and elected to the new board, John Hogan, Hart Fellows, and Josiah Beall, all Whigs.<sup>77</sup>

During 1840 those contractors who continued to work on their contracts were paid in scrip.<sup>78</sup> By December only two contracts had not been surrendered, one of which was held by N. Kennedy for work on the Central Railroad north of the

<sup>73</sup> *Illinois State Register*, September 7, 1839.

<sup>74</sup> *Reports General Assembly*, 1839-1840, house, 314-25.

<sup>75</sup> *Alton Telegraph*, October 26, 1839.

<sup>76</sup> *Laws of Illinois*, 1840, 93-96.

<sup>77</sup> *Illinois State Register*, February 5, 1840; *Senate Journal*, 1839-1840, 242.

<sup>78</sup> The total amount of scrip issued during 1840 by the board of public works was \$1,342,372.82. Only part of this was paid for actual work performed during the year. \$361,072.05 was due the contractors for back work performed the previous year. \$147,694.40 was awarded the contractors for cancelling contracts. *Internal Improvement Records*, XVIII, 134-35; *Reports General Assembly*, 1839-1840, senate, 131; 1840-1841, house, 146. In October, 1840, Springfield merchants accepted the scrip at eighty-one and one-fourth cents on the dollar in payment of goods. *Illinois State Register*, October 9, 1840.



Illinois river at Peru, and the other by James F. Reed and Samuel S. Brooks for work on the Alton and Mount Carmel road between Alton and Edwardsville.<sup>79</sup>

The report of the board of public works for December, 1840, showed that a total of \$4,107,746.99 had been spent on internal improvements.<sup>80</sup> The expenditures for the various improvements had been as follows:

Northern Cross Railroad .....	\$1,354,212.69
Illinois Central Railroad .....	1,016,904.89
Alton and Mount Carmel Railroad .....	353,599.67
Peoria and Warsaw Railroad .....	257,532.87
Alton and Shawneetown Railroad .....	183,434.83
Alton and Shelbyville Railroad .....	140,108.29
Central Branch Railroad .....	132,492.79
Bloomington and Mackinaw Railroad .....	104,985.28
Naples Branch Railroad .....	22,081.51
Rushville and Erie Railroad .....	6,370.01
Belleville and Lebanon Railroad .....	390.48
Rock river .....	123,991.09
Illinois river .....	82,781.09
Little Wabash river .....	46,530.59
Kaskaskia river .....	13,060.71
Great Wabash river .....	12,977.13
Embarrass river .....	193.50
Great Western Mail Route .....	244,547.43
Charleston and Wabash Turnpike .....	11,552.14

When the general assembly met in 1840-1841 all construc-

<sup>79</sup> Report of the board of public works, December 15, 1840, *Reports General Assembly, 1840-1841*, house, 107-12.

<sup>80</sup> *Ibid.*, 112. John D. Whiteside, state treasurer, reported to the house of representatives that a total of \$78,898.31 had been expended for buildings on the railroads, as follows:

Central office — Springfield .....	\$ 3,988.90
Office — Jacksonville .....	3,287.55
Office — Jonesboro .....	3,000.00
Office — Warsaw .....	450.00
Depot — Shawneetown .....	17,195.52
Depot — Meredosia .....	13,335.99
Depot — Equality .....	11,237.86
Depot — Naples .....	9,730.29
Depot — Morgan City .....	5,454.13
Engine house — Meredosia .....	6,994.75
Engine house — Jacksonville .....	4,123.32
Engineer office — Wolf Run .....	200.00

Whiteside reported that the cost of right of way for the railroads amounted to \$70,910.91. He reported that the cost of dam sites on the Little Wabash and Rock rivers was \$55,751.50. *Ibid.*, 133, 136-41.

tion work had stopped on the public works system. An act was passed to abolish the board of public works and to stop the further issue of state scrip or drafts.<sup>81</sup> The treasurer of the state was to adjust the accounts of the commissioners and appoint agents to take care of the state property. John D. Whiteside, state treasurer, accordingly appointed Elijah Willard, F. G. Murray, Cornelius Ludlum, and Isaac Dement.<sup>82</sup>

On February 26, 1841, the legislature enacted a law appointing the auditor, the treasurer, and the secretary of state a board of auditors to settle the accounts of the contractors whose claims had not been passed upon or rejected by the board of public works.<sup>83</sup> The auditors were also to settle with the engineers who had been in the employ of the state and who had not received compensation for their services.<sup>84</sup> Thus was the internal improvement system brought to an end, but the problem of paying the principal and interest on a huge debt remained to be solved.<sup>85</sup>

Of the large internal improvement system only one railroad, that leading from Meredosia to Springfield on the Northern Cross line, was actually completed. The surveys of this section of the Northern Cross were begun in May, 1837, and the contracts for the construction were awarded on July 10th by commissioner Murray McConnel.<sup>86</sup> Construction was to be started by August 1, and the contractors were to supply the road with locomotives and cars ready for use at cost delivered.<sup>87</sup> On July 20, 1837, the contractors placed an advertisement in a Jacksonville newspaper for "one thousand, good sober and industrious" workers.<sup>88</sup> The pay for the laborers was to be \$20 per month with board.

Construction on the road was carried on steadily during the

<sup>81</sup> *Laws of Illinois*, 1841, 166-67.

<sup>82</sup> *Reports General Assembly*, 1840-1841, senate, 390.

<sup>83</sup> *Laws of Illinois*, 1841, 38.

<sup>84</sup> The auditors reported to the governor on February 7, 1843, that claims amounting to \$83,244.52 had been allowed the contractors. *Reports General Assembly*, 1842-1843, house, 385-90.

<sup>85</sup> On December 8, 1842, the internal improvement debt was \$6,014,749.53, exclusive of the canal debt. *Ibid.*, 1842-1843, senate, 22.

<sup>86</sup> *Supra*, 80.

<sup>87</sup> *Reports General Assembly*, 1838-1839, senate, 48-49.

<sup>88</sup> *Illinois Patriot*, July 20, 1837.

remainder of 1837 and throughout 1838. By December, 1838, grading was practically completed between Meredosia and Jacksonville, although a heavy embankment was necessary at the Illinois river.<sup>89</sup> Construction on the superstructure was begun in January, 1838. Lineal mud sills or wooden sills of oak, locust or walnut hewn to a width of eight inches and a thickness of six inches were laid and on these cross ties were placed. In February the first longitudinal stringers were laid upon which the iron scrap rail was spiked.<sup>90</sup> The scrap rail consisted of strips of iron, two and a half inches wide and five-eighths inches thick.

James M. Bucklin, the construction engineer, recommended the use of heavy iron rails instead of the strips of scrap iron.<sup>91</sup> The legislature had provided for the cheaper rails so no change could be made by the board of public works. The use of the light rail was unfortunate. It caused the operators of the trains continuous trouble by coming loose from the timbers.

The gauge of the Northern Cross track was four feet, nine inches. This differed slightly from the specifications of the legislature, which called for a width of four feet, eight inches. Engineer Bucklin felt justified in making the change however, and thought he had not violated the spirit of the law since four feet, nine inches was the gauge used for most railroads in the United States.<sup>92</sup>

Shipments of railroad iron arrived in Illinois from England in the spring of 1838.<sup>93</sup> The first rails were laid in May of that year. Many of the spikes used for fastening the rails were of poor quality and had to be discarded.<sup>94</sup>

By November, 1838, nine miles of track had been laid from

<sup>89</sup> *Reports General Assembly, 1838-1839*, house, report of the board of public works, December 26, 1838, 21.

<sup>90</sup> *Ibid.*, 70.

<sup>91</sup> *Ibid.*, 32.

<sup>92</sup> *Ibid.*

<sup>93</sup> The board of public works made an effort to get Congress to pass a law to allow the importation of railroad iron duty free for the internal improvement system. Letters were sent to each of the members of Congress from Illinois requesting that they use their influence to get a law passed. Congress took no action. *Illinois State Register*, January 25, 1838.

<sup>94</sup> *Reports General Assembly, 1838-1839*, house, report of the board of public works, December 26, 1838, 32. The railroad iron cost \$54 per ton. *Sangamo Journal*, June 2, 1838.

Meredosia east toward Jacksonville. *The Experiment*, the first locomotive that ever turned a wheel in the Mississippi valley, was placed on the track at Meredosia, November 8, 1838.<sup>95</sup> On that day the locomotive was given a trial run over the nine miles of track, with Governor Duncan, commissioner Murray McConnel, contractors James Dunlap, Charles Collins, Miron Leslie, and Thomas T. January, and the chief engineer, George P. Plant, on board.

Construction on the line toward Jacksonville reached the halfway point at Morgan City by July, 1839.<sup>96</sup> The entire twenty-four miles between Meredosia and Jacksonville was completed by the end of the year at a total cost of \$436,233.33.<sup>97</sup> This figure includes the expenditures on locomotives, cars, engine houses, depots, and right of way. The total cost for construction of track alone from Meredosia to Jacksonville was \$396,000.<sup>98</sup>

Soon after the first locomotive was put on the line, another locomotive and some passenger, baggage and freight cars arrived and were put into use. During the first year of operation the contractors were the major patrons of the road. The charges paid for hauling supplies being used in construction of the line made up nearly ninety per cent of the receipts during 1839.<sup>99</sup>

Regular payments, generally monthly, were made by the board of public works for construction from 1837 to 1839.<sup>100</sup>

<sup>95</sup> *Illinois State Register*, November 9, 1838. The locomotive weighed eight and one-half tons. It was shipped from Philadelphia by ocean to New Orleans, thence up the Mississippi river to St. Louis, and from there by way of the Illinois river to Meredosia.

<sup>96</sup> Report of the board of public works, December 13, 1839, *Reports General Assembly*, 1839-1840, house, 160.

<sup>97</sup> Report of the board of public works, January 8, 1840, *Ibid.*, 1839-1840, senate, 228.

<sup>98</sup> *Ibid.*, 1839-1840, senate, 427. The original estimate of cost made by James M. Bucklin in July, 1837, was \$246,215.90. *Ibid.*, 1838-1839, senate, report of the joint select committee of investigation appointed to examine the offices of the fund commissioners and board of public works, 51.

<sup>99</sup> Report from the board of public works, January 8, 1839, *Ibid.*, 1839-1840, senate, 228. An advertisement was put regularly for several months in the *Illinois Advocate* during the latter part of 1839 concerning the passenger service between Meredosia and Morgan City. The train made two trips daily, leaving Meredosia at 7:00 A.M. and 2:00 P.M., and leaving Morgan City at 9:00 A.M. and 4:00 P.M.

<sup>100</sup> *Ibid.*, 1838-1839, senate, abstracts of disbursements by the commissioners of public works, 6-22.

When the internal improvement fund became exhausted during the summer of 1839, some contractors suspended operations on the work they had in progress. Others continued their construction with the hope that the state could soon provide funds. Construction on the Northern Cross line was suspended in March, 1840.<sup>101</sup>

During the special session of the legislature called to untangle the internal improvement problem, an act was passed on February 1, 1840, which ordered the board of public works to settle with the contractors.<sup>102</sup> Payment was to be made for work done and the contractors were allowed to make claims against the state for losses suffered through the suspension of construction. The firm of January and Dunlap whose contract on the Northern Cross line was terminated before completion was awarded \$15,000 for damages.<sup>103</sup>

Operation of the short line from Meredosia to Jacksonville proved to be unprofitable. For the six months period from June 20, 1840, to November 20, 1840, William H. Delph, the engineer in charge of the road, reported \$1,744.02 in receipts and \$1,849.32 for operation expenses plus \$400 to \$600 for repairs.<sup>104</sup> Supporters of the internal improvement system agitated for completion of the Northern Cross Railroad from Jacksonville to Springfield. It was argued that if the road was not extended to tap the business of Sangamon county, the line from Meredosia to Jacksonville would have to be abandoned and thus all the money already spent would be lost.

At the 1840-1841 session of the legislature a law was passed providing for the completion of the Northern Cross line to Springfield.<sup>105</sup> The act approved on February 26, 1841, required the governor to pay over to the fund commissioner as many canal bonds as the canal fund was indebted to the internal improvement fund.<sup>106</sup> The fund commissioner was author-

<sup>101</sup> *Ibid.*, 1840-1841, second session, senate, 319.

<sup>102</sup> *Laws of Illinois*, 1840, 93-96.

<sup>103</sup> *Reports General Assembly*, 1840-1841, second session, house, 145.

<sup>104</sup> *Ibid.*, 1840-1841, second session, senate, 59.

<sup>105</sup> *Laws of Illinois*, 1841, 194-95.

<sup>106</sup> Permission for a loan of \$300,000 to the canal fund from the internal improvement fund had been granted by an act of the legislature on January 12, 1839. *Ibid.*, 1839, 41.



ized to apply \$100,000 of these bonds toward the completion of the Northern Cross from Jacksonville to Springfield. A supplementary act approved on February 27, provided that none of the profits arising from the operation of the road were to be used for other purposes until the interest was paid on the \$100,000 bonds.<sup>107</sup> John D. Whiteside, the fund commissioner, appointed Edmund D. Taylor and John Henry as agents to superintend the building of the road.<sup>108</sup> On March 22, the agents awarded the contract to John Duff, John A. Keedy, John Taylor, and Marvellous Eastham, contractors of Springfield.<sup>109</sup> The agreement provided for the payment of eighty-nine thousand-dollar canal bonds to the contractors for completing the railroad to Springfield. When it was found advisable during construction for a change from trestle work to embankment and stone in the bridging of the Brier fork of Mauvaisterre creek, the contractors were given six more bonds for the additional work. Thus the cost of completing the line from Jacksonville to Springfield was \$95,000, considerably less than the estimate of \$135,000 made in December, 1840.<sup>110</sup> It is to be noted that the payment was not made in cash, but in bonds which were selling at a considerable discount at the time.

Construction was begun soon after the contract was let and the road was completed within ten months. On February 14, 1842, a train, making the first trip the length of the road, carried a shipment of flour and pork consigned by Opdyke, Tinsley and Company for New Orleans.<sup>111</sup> The train ran on a schedule of leaving Springfield every Monday, Wednesday, and Friday, and leaving Meredosia every Tuesday, Thursday, and Saturday. A steamer, the *Mungo Park*, plied regularly

<sup>107</sup> *Ibid.*, 1841, 199.

<sup>108</sup> Fund commissioner's minutes of the Northern Cross Railroad, March 6, 1841, *Internal Improvement Records*, VII, no paging.

<sup>109</sup> Letter of John Duff to E. D. Taylor and John Henry, March 22, 1841, *Ibid.*; agents' minutes, March 24, 1841, *Ibid.*; *Illinois State Register*, March 12, April 2, 1841.

<sup>110</sup> *Reports General Assembly*, 1840-1841, second session, senate, 319; authorization for change at Brier Fork by Taylor and Henry, June 4, 1841, *Internal Improvement Records*, VII, no paging; receipts by John Duff for bonds, *Ibid.*

<sup>111</sup> *Illinois State Register*, February 18, 1842; *Sangamo Journal*, March 12, 1842; *Quincy Whig*, March 26, 1842.

between Meredosia and St. Louis so as to make connection with the train.<sup>112</sup> Freight listings preserved in the Illinois State Archives show that the railroad was used primarily by shippers of staple commodities, including wheat, flour, salt, whiskey, molasses, boots and shoes. Sand, barrels, and furniture were also shipped. Revenue from passenger travel was somewhat less than from freight, although during some months the yield was almost the same.

Operation and repair costs amounted to more than the revenue received from the railroad. During 1841, according to the report of H. G. Rew, operating superintendent, revenue totaled \$7,060.20 and the expenses amounted to \$7,433.99.<sup>113</sup> After completion of the road to Springfield in 1842, revenue perhaps doubled, but expenses increased even more.<sup>114</sup>

In a short time the track and engines needed repairs. Replacement parts had to be sent either from Cincinnati or St. Louis. Since the income from the road was insufficient to pay the cost, Commissioner John D. Whiteside decided to abandon operation by the state and lease it to the highest bidder.<sup>115</sup> Accordingly on May 13, 1842, John B. Watson and J. M. Morse became the lessees, agreeing to pay the sum of \$10,300 per year rental.<sup>116</sup>

Private operation likewise proved unsuccessful; Watson and Morse soon found the cost of repairs to be greater than the income, and surrendered their lease to John D. Whiteside, fund commissioner.<sup>117</sup>

The lease abandoned by Watson and Morse was taken up in July, 1842, by S. M. Tinsley and Company, who agreed to pay \$10,000 a year for four years; \$6,000 to be paid in current

<sup>112</sup> *Sangamo Journal*, March 11, 1842.

<sup>113</sup> *Reports General Assembly*, 1842-1843, house, 242.

<sup>114</sup> Revenue reports by Superintendent H. G. Rew, Executive Records, Illinois State Archives, Springfield.

<sup>115</sup> Agitation for private operation of the line began soon after its completion to Springfield. On March 25, 1842, the *Sangamo Journal* carried an editorial which declared: "We are every day more and more satisfied that works of this character never ought to be under the control of the state; they are likely to be managed with far less economy in the hands of the state than by private individuals."

<sup>116</sup> Report of the fund commissioner, December 26, 1842, *Reports General Assembly*, 1842-1843, senate, 77; *Sangamo Journal*, May 13, 1842.

<sup>117</sup> *Reports General Assembly*, 1842-1843, senate, 77.

funds and the remainder in state indebtedness. The new lessees soon saw that they had made an unprofitable deal. In September, 1843, an agreement was reached by which Tinsley and Company were allowed to give up their lease.<sup>118</sup>

In the meantime, the legislature provided that the governor was to sell the railroad.<sup>119</sup> Failing to sell the road, Governor Ford had it leased at public auction in April, 1843. The successful bidder was John Taylor, who paid one year's rent of \$2,000 in state indebtedness.<sup>120</sup> The lease provided that Taylor could use either steam power or horse power, but if steam power was used the speed limit was to be six miles an hour between Springfield and Jacksonville and only four miles an hour over the older part of the road between Jacksonville and Meredosia. The limitations on speed are an indication of the extremely poor condition of the road and equipment. During the first year of operation, the trip between Springfield and Jacksonville had been made at an average speed of fifteen miles an hour. According to the recollections of George McConnell, steam power was abandoned during 1844, and mules were used to pull the cars.<sup>121</sup>

When his lease expired in April, 1844, Taylor was not interested in a renewal. An agreement was then made April 7 with Cornelius Ludlum and William D. Baxter, whereby they were to pay a rental of \$160 a month during the spring, summer and fall, but a lesser amount to be agreed on for the winter months.<sup>122</sup> The lessees could use either steam or horse power, but the speed limit with steam was to be five miles an

<sup>118</sup> Communication from the governor to the general assembly, December 29, 1844, *Ibid.*, 1844-1845, house, 147. The governor secured the surrender of the lease on the condition that Tinsley and Company should receive a reasonable compensation for the repairs which they had made on the road. In 1849, the legislature passed an act authorizing the payment of \$3,000 to Tinsley and Company. *Reports General Assembly*, 1848-1849, senate, 99; *Laws of Illinois*, 1849, 36.

<sup>119</sup> *Ibid.*, 1843, 193.

<sup>120</sup> Communication from the governor to the general assembly, December 29, 1844, *Reports General Assembly*, 1844-1845, house, 147.

<sup>121</sup> "Recollections of George McConnell," *Transactions of the Illinois State Historical Society*, number 13 (1903), 148.

<sup>122</sup> Communication from the governor to the general assembly, December 29, 1844, *Reports General Assembly*, 1844-1845, house, 148; report of the fund commissioner, December 24, 1846, *Ibid.*, 1846-1847, house, 22. The original of the agreement is in the possession of the state library, archives division, Springfield.

hour between Springfield and Jacksonville and three miles an hour for the older part of the road. Under this lease a total of \$480 was paid in rent, which the state expended for repairs.

Upon the expiration of the Ludlum and Baxter lease, May 1, 1845, Lamb and Company of Meredosia took charge of the railroad for several months.<sup>123</sup> Ludlum and Baxter again assumed operation in November, 1845.<sup>124</sup> The terms of the lease provided for no cash rent, but the lessees were to spend \$250 per month in repairs except during the winter months. After November, 1846, all attempts at further leasing were abandoned, but Ludlum continued to use the railroad until it was sold by the state in 1847.<sup>125</sup>

Numerous mistakes were made in the construction and administration of the internal improvement system. Construction on all roads simultaneously was a serious error. So many jobs undertaken at one time increased the cost as shortages were created. The estimates of costs were far too low. That portion of the Northern Cross Railroad completed cost nearly twice the amount estimated. Perhaps the errors in estimating costs were due in part to lack of experience in railroad building.

Administration by the board of public works was cumbersome and subject to political influences. Election of the board members by the legislature was attended by politics. The board was subject to political pressures when laying out the routes and letting the contracts.

<sup>123</sup> *Illinois State Register*, May 9, 1845.

<sup>124</sup> Report of the fund commissioner, December 24, 1846, *Reports General Assembly*, 1846-1847, house, 22.

<sup>125</sup> For the terms of sale see page 204.

## CHAPTER V

### CANAL CONSTRUCTION AND FINANCES

CONSTRUCTION on the Illinois and Michigan Canal was carried on simultaneously with the internal improvement system. When the working season opened in 1837, it was confidently expected that canal construction would proceed at a rapid rate. The amount of money available appeared ample. On March 2, the legislature authorized the governor to borrow an additional half million dollars on the credit of the state. On May 4, the treasurer of the canal fund reported \$297,081.53 in cash on deposit in the Chicago Branch of the State Bank.<sup>1</sup> In June the second installment of payments on the Chicago and Ottawa lots fell due, which would bring in \$385,591.39 more. Thus a total of \$1,182,672.92 was counted on as being available for the work of the year.

The work of the season had but barely started, however, when the state, like the rest of the nation, was struck by the Panic of 1837. To protect itself the State Bank of Illinois, on May 24, suspended specie payments. It had on deposit \$390,384.89 of the canal funds at the time.<sup>2</sup> Within the next month the second installment of payments on the Chicago and Ottawa lots would fall due, and over \$385,000 more would become a deposit in the Chicago Branch of the State Bank, unless some other provision were made for its disposal. The charter of the State Bank contained a provision that, if the suspension of specie payments should continue for more than

<sup>1</sup> Report of the treasurer of the Illinois and Michigan Canal, May 4, 1837, *Senate Journal*, 1837, special session, 24.

<sup>2</sup> At the time of suspension the State Bank was indebted to the state in the amount of \$979,504.40, as follows:

Capital Stock held by the state.....	\$100,000.00
Agreement to pay Wiggins loan .....	100,000.00
State deposits in the bank .....	388,669.51
Canal funds held in Chicago Branch .....	285,834.89
Canal fund on New York loan and premium .....	105,000.00

Message of Governor Duncan, *Ibid.*, 9.



sixty days, the charter would be forfeited.<sup>3</sup> Such an event would tie up the canal funds during an indefinite period of liquidation which might mean the abandonment of the project altogether. To forestall that possibility Governor Duncan called a special session of the legislature on July 10, during which an indefinite suspension of specie payments was legalized.<sup>4</sup> By this action the canal funds were saved and operations on the canal proceeded without interruption.

During the first half of 1837 construction on the canal was retarded by a lack of laborers.<sup>5</sup> Unfavorable weather and high waters also caused serious delays. Inability of the contractors to provide the laborers with tools was another factor in slowing down the work. Many contractors sought and obtained more work than they could handle. In some cases they over-rated their means or ability, but with others the intention was to sublet contracts at a profit. Several contracts were forfeited and had to be relet.

Operations on the canal proceeded more rapidly during the fall and winter of 1837. Laborers became more plentiful. Wages were lower. The average wage during the latter part of 1837 was twenty dollars per month, six dollars per month less than the preceding year. Expenditures for work on the canal from December 1, 1836, to December 1, 1837, were \$180,536.87 on the summit division, and \$166,363.46 on the western division. The total amount disbursed was \$346,899.33

By December, 1837, according to the report of William Gooding, chief engineer, work had been placed under contract as follows:

Summit division — 18 miles and 25 chains

Amount of estimates .....	\$2,011,232.03
Amount of contracts .....	1,925,364.33
<hr/>	
Less than estimates .....	\$ 85,867.70

<sup>3</sup> *Laws of Illinois*, 1835, 13; 1836, 238.

<sup>4</sup> *Senate Journal*, 1837, special session, 9; *Laws of Illinois*, 1837, special session, 6.

<sup>5</sup> Report of William Gooding, chief engineer, to the board of canal commissioners, December, 1837, *Illinois State Register*, June 1, 1838.

## Western division — 12 miles and 66 chains

Amount of estimates .....	\$ 186,200.36
Amount of contracts .....	187,143.18
More than estimates .....	\$ 942.82

Fox river feeder, 4 miles and 35 chains,  
including darn and guard lock

Amount of estimates .....	\$ 77,451.74
Amount of contracts .....	74,700.37
Less than estimates .....	\$ 2,751.37

Total length of line let during the year —  
35 miles and 46 chains

Amount of estimates .....	\$2,274,984.13
Amount of contracts .....	2,187,207.88
Less than estimates .....	\$ 87,776.25

All the summit division except 12 sections and nearly all the western division below Marseilles had been put under contract. Most lettings during 1837 were at amounts below the estimates.

Construction during 1838 was carried forward with such vigor that by December the entire line of the canal was under contract from the Chicago river to the termination at La Salle except for some twenty-two miles of the shallow cut between Dresden and Marseilles and slightly more than a mile in the Saganaskee swamp which had to be deferred until it could be drained through a series of sections below it.<sup>6</sup> Governor Duncan reported in his message to the legislature on December 4, that several sections of the western division were completed and others far advanced.<sup>7</sup> Expenditures on the canal to December 13, 1838, amounted to \$1,432,445.43 of which \$986,355.85 had been disbursed since December 1, 1837.<sup>8</sup>

The offices of the Illinois and Michigan Canal were moved

<sup>6</sup> *Reports General Assembly, 1838-1839*, report of the board of canal commissioners, December 13, 1838, 7.

<sup>7</sup> *House Journal, 1839-1840*, 13.

<sup>8</sup> *Reports General Assembly, 1838-1839*, report of the board of canal commissioners, December 13, 1838, 15-16.

during 1838 from Chicago to Lockport.<sup>9</sup> Locating the headquarters near the center of operations resulted in economies to the contractors and the state. Lockport was wholly unimproved so that offices had to be constructed on canal land. Two offices cost \$2,900 each. The canal commissioners established a store at Lockport from which the contractors were furnished supplies not obtainable in the canal region.<sup>10</sup> The cost of the supplies was deducted from the contractors' monthly estimates. No more contracts were abandoned after supplies were thus made available.

At the close of 1838 approximately one and a half million dollars had been raised on behalf of the canal. The two loans authorized by the acts of January 9, 1836, and March 2, 1837, had yielded a return of \$1,036,211.67.<sup>11</sup> Up to December 13, 1838, the sum of \$444,292 had been realized from the sale of canal lands and lots.<sup>12</sup> Thus far the income had proved sufficient to meet all costs, but at the beginning of 1839 the canal treasury was depleted. The canal commissioners estimated that operations for the year 1839 would require expenditures of a million and a half dollars, and those of 1840, two million dollars.<sup>13</sup> A small part of these sums might possibly be derived from the sale of canal lands but to rely on that source beyond the interest to be paid on loans, the commissioners thought to be a questionable policy.

The legislature then in session after studying the report of the commissioners passed a series of laws in behalf of the canal. By an act approved on January 21, 1839, the fund commissioners were authorized to loan the canal fund the sum of \$300,000 from the internal improvement fund.<sup>14</sup> The loan

<sup>9</sup> Report of the board of canal commissioners to the general assembly, December, 1838, *Senate Journal*, 1838-1839, 243.

<sup>10</sup> *Reports General Assembly*, 1838-1839, report of the board of canal commissioners, December 13, 1838, 6.

<sup>11</sup> *Ibid.*, 53. The proceeds of the two loans were as follows:

500,000 at 5% premium .....	\$ 525,000.00
500,000 at par .....	500,000.00
Interest on deposits .....	11,211.67

Total proceeds .....\$1,036,211.67

<sup>12</sup> *Ibid.*, 15.

<sup>13</sup> *Ibid.*, 16.

<sup>14</sup> *Laws of Illinois*, 1839, 41.

was to be refunded on or before the following June 1, with interest to be paid the internal improvement fund at the rate of six per cent from the date of the loan to the time of repayment. On February 23, a loan of \$4,000,000 bearing six per cent interest, was authorized to be negotiated by agents appointed by the governor.<sup>15</sup> United States Senator Richard M. Young and Ex-Governor John Reynolds were appointed by Governor Carlin as the agents to negotiate the loan.<sup>16</sup> To facilitate the sale of canal lands, an act was passed to make the terms more favorable to purchasers.<sup>17</sup> In future sales only ten per cent of the purchase price need be paid at the time of purchase, and the balance, upon which six per cent interest was to be paid annually, would be due in twenty years. Sales were to continue until \$400,000 was raised. A fourth act empowered the canal commissioners to sell water power to propel machinery for manufacturing purposes.<sup>18</sup> By still another act provision was made for the dedication of lots, in towns situated on canal lands, to public purposes, the objective being to add to the value of the state owned lands.<sup>19</sup> The canal commissioners were to donate to religious societies or congregations lots whereon to erect houses of worship. One lot was to be granted to every society or congregation upon the condition that such society would erect a church or chapel, and use and occupy the lot for that and no other purpose. The commissioners were also to designate not exceeding four lots in each town on which the inhabitants might erect school houses for the use of common schools.

<sup>15</sup> The act provided that the state irrevocably pledged its faith to provide sufficient resources and means with which to pay the interest accruing upon the bonds as it became due, and to reimburse the principal when it became due; and it irrevocably pledged as security for this purpose, all the lands which had been granted or which might be granted to the state by the United States to aid in the construction of the canal; and it pledged the canal with all its appurtenances, and the revenue arising from the use of the canal, as well as all premiums which might be obtained from the sale of bonds and certificates of stock created by the act, and the rents and profits from the canal lands as well as from water privileges upon the line of the canal. *Ibid.*, 1839, 168.

<sup>16</sup> The appointment of Reynolds by Governor Carlin was severely criticized by the Whigs, who wanted Ex-Governor Duncan to be chosen. The Democratic press defended the appointment. *Illinois State Register*, April 19, 1839; *Sangamo Journal*, April 23, 1839; *Daily Chicago American*, June 3, 1839.

<sup>17</sup> *Laws of Illinois*, 1839, 177-82.

<sup>18</sup> *Ibid.*, 150-53.

<sup>19</sup> *Ibid.*, 196.

In April, 1839, Reynolds went east to sell canal bonds. He was joined in New York by Rawlings and Oakley, fund commissioners of the state. In spite of a scarcity in the money market, Reynolds and Rawlings were able to negotiate two loans. On April 23, they contracted a loan of \$300,000 with John Delafield, president of the Phoenix Bank of New York.<sup>20</sup> These bonds were sold for the special purpose of raising money to be applied to the payment of the \$100,000 due from the canal fund to the internal improvement fund. The terms of this loan, which were unfavorable to the state, provided that \$50,000 was to be paid fifteen days after the delivery of the bonds, and the balance was to be paid in monthly installments of \$50,000 beginning August 1. After having paid \$150,000, Delafield was unable to make further payments.<sup>21</sup> Agents of the state became involved in a long controversy with Delafield over the return of the bonds which remained unpaid, some of which had been sold to third parties.<sup>22</sup>

The second contract was made on April 26, for a loan of \$1,000,000 from Thomas Dunlap, president of the United States Bank of Philadelphia.<sup>23</sup> By this agreement the state was to be paid the proceeds of the loan in monthly installments of \$100,000 each with ten dollar bank notes of the United States Bank.<sup>24</sup> The state was to deliver 1000 bonds of 225 pounds sterling each to the bank by July 1, 1839.

Governor Carlin was highly displeased with the terms of the contract. In a letter to Young on July 11, 1839, he pointed out that since the contract provided for payment of principal and interest in London, the state would suffer a loss of nearly \$300,000 on the deal.<sup>25</sup> His figures were based on a rate of exchange ten per cent in favor of London. He asserted that with the annual interest amounting to \$60,000, the exchange

<sup>20</sup> *Reports General Assembly, 1839-1840, senate, 37-38.*

<sup>21</sup> Letter of Governor Carlin to the speaker of the senate, December 2, 1840, *Ibid.*, 1840-1841, senate, 255.

<sup>22</sup> For an account of the Delafield loans controversy and settlement see Chapter VI.

<sup>23</sup> Message of Governor Carlin, December 10, 1839, *House Journal, 1839-1840, 19.*

<sup>24</sup> *Reports General Assembly, 1839-1840, senate, 38-39.*

<sup>25</sup> Letter of Carlin to Young, July 11, 1839, *Ibid.*, 1839-1840, senate, 380-81.



on that sum would amount to \$6,000 yearly, and in thirty years add to the interest, the large sum of \$180,000. At the same rate of exchange on payment of principal, \$100,000 more would be added to the state's loss. Another \$12,500, equal to six per cent on \$500,000 for five months, would be lost in interest to be paid on several installments before the money was received. These sums, together with the expense to be incurred in transporting the money to Illinois, would add up to a total loss of \$300,000 for the state. It would be better to postpone the construction of the canal than make any more such contracts, Carlin thought. Total receipts from this loan amounted to \$976,396.67.

Construction was being carried forward so rapidly on the canal during 1839 that expenditures far exceeded the income from the loan which Reynolds had made. By June 1, there was a deficit of \$208,000 against the canal fund, and disbursements were running at approximately \$150,000 per month, an excess of \$50,000 over the monthly installments to be received from the United States Bank.<sup>26</sup> To meet this deficit Governor Carlin placed \$500,000 of the state bonds in the hands of William F. Thornton, president of the board of canal commissioners, to be sold in the local market. Thornton was able to sell \$100,000 of these bonds at a premium of one per cent, but was unable to dispose of the remainder on satisfactory terms. In July, arrangements were made with the State Bank of Illinois to furnish the state sufficient funds, supplementary to the installments from the United States Bank, to maintain work on the canal during the remainder of the year without any reduction in the program.

After having become convinced that the American bond market offered no more possibilities, the agents of the state went to Europe seeking loans on behalf of the canal. They found prospects for raising money no better in England. Reynolds wrote Governor Carlin on July 28, 1839, that the American states had almost \$100,000,000 of bonds on the

<sup>26</sup> Message of Governor Carlin, December 10, 1839, *House Journal*, 1839-1840, 18-19.

London market.<sup>27</sup> Young informed the governor by letter on September 19, that the best offer he could get for bonds was ninety cents on the dollar.<sup>28</sup> Reynolds spent several weeks in travel on the continent, where according to his own account he was much more interested in sight-seeing than in trying to negotiate loans.<sup>29</sup> He had very little financial ability and his mission to Europe showed that Carlin had used poor judgment in appointing him as a special agent of the state.

On his return to the United States, Reynolds on September 18, 1839, arranged with the State Bank for the sale of \$1,000,000 in canal bonds.<sup>30</sup> The agreement provided for bonds in \$225 denomination, to be paid for in monthly installments of \$50,000 to \$75,000; the last payment to be made on April 1, 1841. On September 19, Reynolds contracted with Anson Banks, president of the Farmers' and Mechanics' Bank of Onondaga, for the sale of \$500,000 more stock.<sup>31</sup> Under this contract the state was to deliver 100 bonds on December 1, 1839, and 25 bonds every 30 days thereafter until all were delivered. The bank was to pay the state \$25,000 on February 1, 1840, and \$25,000 every 30 days thereafter in five dollar notes until the whole sum was paid. These arrangements were less favorable to the state than for any loan that had been made. Governor Carlin withheld his approval so that neither of these agreements went into effect.

In the meanwhile, Young had entered into negotiations in London with Wright and Company for a loan. On October 30, 1839, Young made an agreement with the firm for the sale of \$1,000,000 in canal bonds.<sup>32</sup> The contract called for the deposit of one thousand sterling bonds drawing six per cent interest with Wright and Company to be sold for a minimum

<sup>27</sup> Letter of Reynolds to Carlin, July 28, 1839, *Reports General Assembly*, 1839-1840, senate, 372.

<sup>28</sup> Letter of Young to Carlin, September 19, 1839, *Ibid.*, 1839-1840, senate, 385-86.

<sup>29</sup> John Reynolds, *My Own Times, Embracing Also a History of My Life* (Belleville, 1855), 522-58.

<sup>30</sup> *Reports General Assembly*, 1839-1840, senate, 41.

<sup>31</sup> *Ibid.*, 1839-1840, senate, 41-42.

<sup>32</sup> Message of Governor Carlin, December 10, 1839, *House Journal*, 1839-1840, 19; *Reports General Assembly*, 1842-1843, senate, 172.

of ninety-one per cent. The bonds were drawn at a face value of 225 pounds sterling but were to yield only \$1,000 in the United States although the exchange rate between England and Illinois might be as high as fourteen per cent. The contract stipulated that these bonds should be replaced by others of like amount and rate but bearing interest payable semi-annually instead of annually as soon as the new bonds could be struck off and sent to England.<sup>33</sup> Wright and Company were required to advance but \$250,000 on the bonds, and if more than ninety-one per cent could be obtained from them, the surplus, not exceeding four per cent, was to be retained by the bankers as a commission.<sup>34</sup> If the bonds sold for more than ninety-five per cent, the excess was to be equally divided between the state and the brokers.

American bankers looked upon this sale of canal bonds as being favorable to the state. Samuel Jaudon, agent of the United States Bank in London, stated that Young deserved great credit for selling the bonds so well, since Illinois bonds of 1860 and 1870 were selling in England at that time for seventy-eight per cent.<sup>35</sup> In Illinois the sale was looked upon with less favor.

At the special session of the general assembly convened by Governor Carlin on December 9, 1839, to consider the internal improvement problem, several committees investigated the sale of canal bonds to Wright and Company. The judiciary committees of the two houses acting as a joint committee to examine the contracts by the state agents made a report to the senate on January 20, 1840, in which they recommended the repudiation of the agreement with Wright and Company made by Young as well as the transactions in internal improvement bonds.<sup>36</sup>

<sup>33</sup> The semi-annual payment of interest was made legal by an act of the general assembly on February 1, 1840. *Laws of Illinois*, 1840, 93. Wright and Company failed before the new bonds could be delivered.

<sup>34</sup> Wright and Company advanced only 30,000 pounds on deposit of the bonds. By the terms of the contract this yielded the canal funds \$145,188. Message of Governor Carlin, December 7, 1842, *Senate Journal*, 1842-1843, 6.

<sup>35</sup> Letter of Jaudon to Young, March 18, 1840, *Reports General Assembly*, 1840-1841, senate, 362.

<sup>36</sup> *Senate Journal*, 1839-1840, 146; *Reports General Assembly*, 1839-1840, senate, 161-72; *Ibid.*, house, 149-52.

The house finance committee was divided on the question regarding legality of the contract with Wright and Company.<sup>37</sup> The majority reported a resolution declaring the contract as unauthorized by law and void. It estimated the loss to the state at \$294,000. The minority reported a resolution which expressed the opinion that the best interests of the state would be served by ratifying the contract which Young had made with Wright and Company. It declared that at the prevailing rate of exchange the state would receive \$1,028,082 for the million dollars of bonds, and that in repayment the interest, exchanges, and commission would be only six and seven-tenths per cent.

The action of the Illinois legislative body in questioning the legality of the Wright loans naturally had a harmful effect on the financial interests of the state in England. The recommendation of the joint judiciary committee that the contracts be repudiated forced Wright and Company to cease operations for a time even though the general assembly did not adopt the report.<sup>38</sup> Governor Carlin felt that he could not assume the responsibility of ratifying the contract after the strong expression of disapprobation by the legislature.<sup>39</sup> The canal contractors, however, assented to an arrangement suggested by Young whereby they would continue to work and receive in payment canal bonds which they could hypothecate with Wright and Company, according to the terms of the contract that had been made on October 30, 1839.<sup>40</sup> Young continued to urge upon the governor the necessity of confirming the contract, so that finally, Carlin yielded, and on May 1, 1840, gave his assent to the transactions.<sup>41</sup> He weakly defended his action with the assertion that the sale was probably the best and most favorable that could be effected to enable the state to meet the accruing liabilities on account of the canal, but he still protested

<sup>37</sup> Report of the finance committee on the Wright and Company loan, *Ibid.*, 1839-1840, house, 123-28, 131-34.

<sup>38</sup> Letter of Wright to Young, March 18, 1840, *Ibid.*, 1840-1841, senate, 360.

<sup>39</sup> Letter of Carlin to Young, February 19, 1840, *Ibid.*, 1840-1841, senate, 363.

<sup>40</sup> Letter of W. B. Ogden to Young, March 7, 1840, *Ibid.*, 1840-1841, senate, 364.

<sup>41</sup> Letter of Carlin to Young, May 1, 1840, *Ibid.*, 1840-1841, senate, 374.

that the sale was not at par within the meaning of the act under which the bonds were issued.

The contract with Wright and Company was not to be consummated, however, for in November of 1840, the financial house closed its doors, having gone bankrupt. The state recovered part of the money realized from the sale of canal bonds by the banking house to third parties.<sup>42</sup> The unsold bonds held by Wright and Company at the time of their failure were surrendered to the state through an order of the London Court of Review issued on January 12, 1842; 215,000 pounds sterling of canal bonds and 166,950 pounds sterling of internal improvement bonds were delivered to Michael Ryan, agent of the state, who brought them from Europe and turned them over to Governor Thomas Ford.<sup>43</sup>

Throughout 1839 construction on the canal proceeded without interruption in spite of the financial difficulties. Expenditures for the year amounted to \$1,517,479.16.<sup>44</sup> This was the largest amount disbursed for construction of the canal during any year.

Since the amount of money raised by the sale of bonds was insufficient to meet the liabilities of the state to the contractors for work completed, the canal commissioners resorted to the issuance of checks payable at such time as the necessary funds should become available. Such checks, printed in denominations of \$1.00, \$2.50, \$5.00, \$10.00, \$20.00, \$50.00, and \$100.00, were generally accepted at par since it was thought that funds would be provided for their redemption within a few months.<sup>45</sup> Scrip in this form to the amount of \$616,870.70 was issued during 1839.

In its efforts to find means to continue work on the canal, the legislature during the session of 1839-1840 passed a law

<sup>42</sup> For a more detailed account see Chapter VI.

<sup>43</sup> Report of John D. Whiteside to the house, February 25, 1843, *Reports General Assembly*, 1842-1843, house, 238; Illinois and Michigan Canal bonds returned by Wright and Company, *Internal Improvement Records*, XX, 113-29.

<sup>44</sup> Report of the board of canal commissioners, December 21, 1840, *Reports General Assembly*, 1840-1841, senate, 69.

<sup>45</sup> Report of the board of canal commissioners, December 10, 1839, *Ibid.*, 1839-1840, house, 53; *Ibid.*, 1860-1861, volume 1, 434.



on February 1, authorizing the canal commissioners to issue the contractors checks bearing six per cent interest and payable whenever funds became available.<sup>46</sup> Under the provisions of this act checks were issued during 1840 to the amount of \$409,448.70.<sup>47</sup>

In order to increase the marketability of canal bonds, the legislature approved another act the same day authorizing the commissioners to sell enough lands and lots to pay the interest on the canal loans.<sup>48</sup> The terms prescribed for the sale of timber lands were one-fourth cash with the remainder to be paid in three annual installments. On prairie land only one-tenth of the price was payable at the time of purchase and the remainder was due in twenty years. Interest at the rate of six per cent was to be paid on the deferred payments.

Due to the extreme scarcity of money, the demand for canal lands was very limited. Sales extending over a period from June 30, to July 13, resulted in the disposal of 460 acres of woodland averaging \$12.54 per acre and 7,043 acres of prairie land averaging \$8.61 per acre.<sup>49</sup> Certificates to the amount of \$60,775.57 were granted purchasers on deferred payments. The sale of land yielded only \$7,387.06 in cash payments, nearly all of which were paid in canal scrip. The commissioners abandoned the effort to raise money by this means, when it was found impossible to continue the sale without a reduction in the price of land such as would prove detrimental to future sale of bonds.

With the failure of the state to raise funds and with the prospect of construction on the canal being abandoned, the contractors held a meeting at Lockport on June 27, 1840, and proposed to take \$1,200,000 of state bonds at par and bear

<sup>46</sup> *Laws of Illinois*, 1840, 79; report of the board of canal commissioners, December 21, 1840, *Reports General Assembly*, 1840-1841, senate, 73.

<sup>47</sup> Additional scrip was issued by governors Ford and French from 1843 to 1849 to pay balances due contractors and for damages resulting from termination of contracts to the amount of \$318,229.97. Report of the senate finance committee, *Ibid.*, 1860-1861, volume I, 417.

<sup>48</sup> *Laws of Illinois*, 1840, 79.

<sup>49</sup> Report of the board of canal commissioners, December 21, 1840, *Reports General Assembly*, 1840-1841, senate, 74.

the discount at which they would have to be sold.<sup>50</sup> The canal contracts had been made at a time when prices were so high that the contractors could lose twenty-five per cent in 1840 and still make a profit. William F. Thornton, president of the board of canal commissioners, and W. B. Ogden and George Barnett, contractors, were appointed a special committee to carry on negotiations with Governor Carlin. The proposition made by the contractors was acceptable to the governor and he approved the appointment of Thornton as their agent.

In July, Thornton took to London \$500,000 of canal bonds belonging to the state and \$1,200,000 of bonds which had been accepted by the contractors. The law under which the state bonds were issued prohibited Thornton from selling them below par, but the bonds belonging to the contractors could be sold at a price as low as seventy-five per cent. None of the state bonds were sold, but an agreement was made to sell \$1,000,000 of the contractors' bonds to Magniac, Smith and Company of London at a rate of eighty-three.<sup>51</sup> Thus it was made possible for work to continue on the canal, but at a diminished rate.

Although there was no immediate prospect of being paid, contractors continued at work during 1841 with a somewhat smaller labor force.<sup>52</sup> On September 20, 1841, contracts were let for forty-six sections of the canal between Dresden and Marseilles.<sup>53</sup> The work was accepted at \$386,676, which is in contrast to the \$548,121.37 estimate of 1836. Such contractors as were able to pay their own expenses continued at work and accepted state bonds until the depreciation became so great as to make that method of payment impracticable. A total of \$197,000 in bonds was paid in this way during the latter part of 1841 and the early months of 1842.<sup>54</sup> Another

<sup>50</sup> Message of Governor Carlin, November 26, 1840, *House Journal*, 1840-1841, 25; *Reports General Assembly*, 1840-1841, senate, 30-54; *Daily Chicago American*, July 1, 1840.

<sup>51</sup> *Chicago Weekly Tribune*, August 22, 1840; *Illinois State Register*, September 4, 1840; *Reports General Assembly*, 1840-1841, senate, 30, 50-54.

<sup>52</sup> Report of the board of canal commissioners, December 15, 1842, *Ibid.*, 1842-1843, house, 135.

<sup>53</sup> *Illinois State Register*, October 8, 1841.

<sup>54</sup> Message of Governor Thomas Ford, December 8, 1842, *House Journal*, 1842-1843, 30.

method of payment consisted of checks drawn by the contractors in favor of their creditors against the canal commissioners. Such orders became negotiable after having been formally accepted and recorded by the secretary of the canal board. A rapid depreciation of the orders put a stop to that method of payment after about \$46,000 had been issued.<sup>55</sup>

After the failure of the State Bank in February, 1842, the critical financial condition of the state prevented any further construction on the canal. William Gooding, the chief engineer, reported on December 1, 1842, that a total of \$4,909,492.03 had been expended on the canal, and that \$3,098,169.29 would be required to complete the unfinished work.<sup>56</sup>

Administration of the Illinois and Michigan Canal from 1837 to 1842 can be traced briefly. On February 19, 1839, the legislature re-elected the incumbent commissioners to their offices, William F. Thornton as president, John A. McClernand as treasurer, and Jacob Fry as acting commissioner.<sup>57</sup> The resignation of McClernand on May 30, 1839, brought some difficulty in choosing a successor.<sup>58</sup> When Governor Carlin appointed John Calhoun, the Whig papers claimed the appointment was unconstitutional because Calhoun had been a member of the legislature at the time when the salary of the canal treasurer was increased. To settle the question on constitutionality the governor removed Calhoun and appointed David Prickett about whom there was no question.<sup>59</sup>

The financial difficulties in 1839 led to a demand for a decrease in the number of officials employed on the canal as a measure to cut expenses. In an editorial on September 21, the *Quincy Whig* charged that an excessive number of officials

<sup>55</sup> Report of the board of canal commissioners, December 15, 1842, *Reports General Assembly*, 1842-1843, house, 65.

<sup>56</sup> Report of the board of canal commissioners, December 15, 1842, *Ibid.*, 1842-1843, house, 114.

<sup>57</sup> *House Journal*, 1838-1839, 450-51; *Senate Journal*, 1838-1839, 360-62.

<sup>58</sup> *Illinois State Register*, May 31, August 10, September 21, 1839; *Sangamo Journal*, August 2, September 27, 1839.

<sup>59</sup> The appointment was only a temporary one until the legislature would convene. Prickett was subsequently elected by that body on February 1, 1840. *House Journal*, 1839-1840, 321, 336-38; *Sangamo Journal*, September 27, 1839.

and the high salaries being paid was in part responsible for the cost of the canal so greatly exceeding the original estimates of the engineer. On January 4, 1840, the senate passed a resolution requesting a report from the canal commissioners concerning the number of engineers and other employees. In reports to the senate on January 6 and 13, William F. Thornton listed the employees as follows:<sup>60</sup>

Chief engineer, William Gooding .....	\$3,500 per annum
Resident engineer, Edward W. Talcott .....	2,000 " "
Resident engineer, Ward B. Burnett .....	2,000 " "
Nine assistant engineers, each .....	1,250 " "
Secretary of the canal board .....	1,750 " "
Clerk to the secretary of canal board .....	1,000 " "
Clerk to the treasurer of canal board .....	1,000 " "
Temporary clerk in engineer's office .....	800 " "
Two land agents, each .....	4 per day
Seven rodmen, each .....	50 per month

The aggregate salaries amounted to approximately \$30,000 a year. On March 31, 1840, four of these employees were dropped from the service of the state.<sup>61</sup> From that date until 1842, when all construction stopped, the number of canal employees remained practically unchanged.

Democratic members of the general assembly during the 1840-1841 session made charges of neglect and mismanagement against the canal commissioners. President William F. Thornton, upon hearing of the charges, wrote a letter to the house of representatives on December 4, requesting an immediate investigation and promising to make available all books and papers of the commissioners.<sup>62</sup> A resolution providing for the appointment of a committee to conduct an investigation passed the house but was tabled in the senate.<sup>63</sup> The *Sangamo Journal* charged the Democrats wanted a committee appointed to conduct an inquiry into the commissioners' activities during the recess of the legislature in order to create some jobs for

<sup>60</sup> *Reports General Assembly, 1839-1840, senate, 429-31.*

<sup>61</sup> *Report of the Canal Commissioners, 1900, 194-95.*

<sup>62</sup> *House Journal, 1840-1841, 77; Ninawah Gazette, January 2, 1841; Peoria Register, December 25, 1840.*

<sup>63</sup> *Senate Journal, 1840-1841, 82, 88.*

members of their party.<sup>64</sup> More likely they hoped to discredit the canal commissioners and thus ruin their likelihood of being chosen again in the forthcoming election by the legislature.

On February 19, 1841, the two houses of the legislature met in joint session to elect the new board of commissioners, which resulted in Isaac N. Morris being chosen president, Jacob Fry, acting commissioner, and Newton Cloud, treasurer.<sup>65</sup> Morris was a Democrat, and Fry and Cloud were Whigs. The *Sangamo Journal* claimed Morris was elected solely on the recommendation of Governor Carlin to carry out party arrangements.<sup>66</sup> The difference in political allegiance led to a conflict between Morris and Fry. When the former sought to remove some of the canal engineers, Fry opposed him. Newspapers throughout the state took up the argument with the *Illinois State Register* backing Morris and the Whig papers supporting Fry.<sup>67</sup>

Democratic papers in towns along the canal route, notably the *Chicago Democrat* and the *Ottawa Free Trader* likewise attacked Morris. Apparently they were disgruntled because the legislature had elected a president of the canal commission from Quincy instead of from their section of the state.<sup>68</sup>

On the whole the Illinois and Michigan Canal was well administered by the board of canal commissioners; much better at least than was the internal improvement system by the cumbersome board of public works. On neither, however, did the problems of administration even approach the difficulties of finance.

<sup>64</sup> *Sangamo Journal*, December 18, 1840.

<sup>65</sup> *House Journal*, 1840-1841, 433-38.

<sup>66</sup> *Sangamo Journal*, March 5, 1841.

<sup>67</sup> *Illinois State Register*, September 9, 1841.

<sup>68</sup> An article appearing in the *Quincy Whig*, August 13, 1842, stated that John Hise, editor of the *Ottawa Free Trader*, charged Morris with letting a contract on the canal to an individual in Grundy county for about \$10,000 more than the offer of other bidders. The purpose of the contract, according to Hise, was to heal a division in the ranks of the party resulting from the rival aspirations of William Stadden and Michael Ryan for nomination as the candidate for state senator. Editor Hise further asserted that Morris called on friends of William Stadden a short time before the county convention to inform them that if Stadden could be prevailed upon to support "his policy," that he would cause Ryan to withdraw from the contest.



## CHAPTER VI

### FINANCING THE INTERNAL IMPROVEMENT SYSTEM

THE internal improvement act of February 27, 1837, providing for the construction of 1300 miles of railroads and the improvement of the larger rivers, created a board of three fund commissioners to handle the finances of the system. The commissioners, who were to be elected biennially by a joint vote of the general assembly, were empowered "to contract for and negotiate all loans authorized by the legislature on the faith and credit of the state for objects of internal improvements, on the best and most favorable terms," and "receive, manage, deposit, and apply all monies arising from such loans."<sup>1</sup> They were to make quarterly reports to the auditor of public accounts or to such other officer as the legislature might direct, and to appoint a secretary to keep a complete record of all their transactions. Each of the commissioners was allowed a compensation of five dollars per day for each day necessarily employed in the discharge of his duties. The first board of fund commissioners, elected by the legislature on March 1, 1837, consisted of Charles Oakley, Moses M. Rawlings, and Thomas Mather.<sup>2</sup>

To finance the program of internal improvements the legislature authorized a loan of \$8,000,000 to be made on a pledge of the state's credit.<sup>3</sup> The advocates of internal improvements had no doubt but that the system would pay for itself. They assumed that the state bonds would sell at a premium of about ten per cent and that the dividends would not only pay the interest on the bonds but would even yield a surplus.<sup>4</sup> The tolls on the roads when completed were expected to yield an income

<sup>1</sup> *Laws of Illinois*, 1837, 121-22.

<sup>2</sup> *House Journal*, 1836-1837, 787; *Senate Journal*, 1836-1837, 576.

<sup>3</sup> *Laws of Illinois*, 1837, 137.

<sup>4</sup> *House Journal*, 1836-1837, 202-15.

sufficient to meet the payments on the principal of the debt. It was alleged that the system would aid in multiplying the population and wealth of the state, that huge acreages of land would be sold and thus increase the land tax, a part of which could be used to pay the interest on the debt if the other sources of income should fail.

The seeming prosperity of the State Bank, which had declared a dividend of nine per cent in 1836, prompted the members of the legislature to make the banks useful to the state in its new undertaking. It was thought that if the state owned a large amount of the bank stock, the dividends could be used to finance the internal improvement projects. Accordingly, an act was passed on March 4, 1837, providing that the capital of the State Bank be increased \$2,000,000, the stock to be subscribed by the state.<sup>5</sup> By the same act the capital stock of the Bank of Illinois located at Shawneetown was to be increased \$1,400,000, of which \$1,000,000 was reserved for the state and \$400,000 for private subscriptions. The fund commissioners were authorized to negotiate a loan not exceeding \$3,000,000 to enable the state to subscribe to the bank stock, when the banks should have notified the state of their acceptance of the increase in stock. The Bank of Illinois was given the privilege of establishing branches at Alton, Jacksonville, and Lawrenceville. Additional directors, five for the State Bank and nine for the Bank of Illinois, were to be elected by the legislature on behalf of the state.<sup>6</sup> This still left a majority of directors to the private stockholders, although the state owned more stock than did the private owners. The banks were made the fiscal agents of the state. All public revenues and the money borrowed by the fund commissioners to carry on internal improvements were to be deposited in these banks, who were to pay such interest on the deposits as they might agree upon with the fund commissioners. No

<sup>5</sup> *Laws of Illinois*, 1837, 18-22. The capital of the State Bank was increased from \$1,500,000 to \$3,500,000 and that of the Bank of Illinois from \$300,000 to \$1,700,000.

<sup>6</sup> An act passed on March 2, 1839, repealed the provision providing for election by the general assembly, and authorized appointment by the governor with the advice and consent of the senate. *Ibid.*, 1839, 233-34.

charges for disbursement of the state funds were to be made by the state banks. The dividends accruing upon the stock held by the state were to be applied in payment of the interest upon loans made to the state to carry on internal improvements.<sup>7</sup> The banks were to give quarterly statements of their financial condition to the fund commissioners and reports to the general assembly at regular and called sessions.<sup>8</sup> Needless to say the banks accepted the proposal of the state for the increase in capital.<sup>9</sup>

When the internal improvement program was adopted the state had no funds on hand with which to begin work. On April 4, 1837, William Kinney, a member of the board of public works, inquired of the fund commissioners what prospect there was of procuring funds to enable the board to begin construction on the various improvements.<sup>10</sup> A temporary loan of \$20,000 was secured by the commissioners from the State Bank to make possible the undertaking of surveys without delay. The commissioners also drew an order on the auditor for \$50,000.<sup>11</sup> Thus they were able to forward the first checks of \$10,000 each to the members of the board of public works on April 15.<sup>12</sup>

The fund commissioners went to New York in May expecting to dispose of the internal improvement bonds at favorable terms. They advertised in several New York newspapers that bids would be received for loans, and were much disappointed on the day set for the opening of bids to find that no offers were made.<sup>13</sup> On returning to Illinois, the commissioners found the State Bank willing to take 1765 bonds of \$1000

<sup>7</sup> During the special session of July, 1837, the legislature passed a supplementary act providing that the bank stock was pledged to redeem any loan made for internal improvements. *Ibid.*, 1837, special session, 5.

<sup>8</sup> *Ibid.*, 1837, 21.

<sup>9</sup> Letter of N. H. Ridgely, cashier of the State Bank, to the fund commissioners, July 7, 1837, *Internal Improvement Records*, VIII, 5-6; letter of Mather and Oakley to Levi Davis, state auditor, December 1, 1837, *Ibid.*, IX, 5.

<sup>10</sup> Letter of Kinney to the fund commissioners, April 4, 1837, *Internal Improvement Records*, VIII, 1.

<sup>11</sup> Report of the fund commissioners to Levi Davis, state auditor, June, 1837, *Ibid.*, IX, 3.

<sup>12</sup> *Ibid.*, IX, 1.

<sup>13</sup> *Ibid.*, IX, 5.

each and the Bank of Illinois ready to take 900 bonds of the same denomination in exchange for the bank stock for which the state had not yet subscribed. \$335,600 had been paid the banks, leaving the sum of \$2,664,400 due on the \$3,000,000 subscriptions which the state had promised.<sup>14</sup> Thus the 2,665 bonds of \$1000 each would meet the amount due. The banks were allowed to dispose of the bonds at par.<sup>15</sup>

A second attempt to dispose of bonds in the New York market was more successful. The commissioners were able to make the following sales:<sup>16</sup>

Nicholas Biddle 1000 bonds of \$1000 each.....	\$1,000,000
James Irvine 1000 bonds of \$1000 each.....	1,000,000
Hall and Hudson 100 bonds of \$1000 each.....	100,000
Boorman and Johnson 100 bonds of \$1000 each.....	100,000

The last two sales were for cash on delivery of the bonds, and the first two were paid for at the rate of \$150,000 per month. The sale of stock to Boorman and Johnson was made at a premium of five per cent.<sup>17</sup> A short time later four \$1000 bonds were sold to Lt. Levy.<sup>18</sup>

The report of the fund commissioners made to the general assembly on December 24, 1838, showed that the internal improvement fund had received by that date: \$477,919.14 from the state treasurer, \$4,869,000 from the sale of bonds,

<sup>14</sup> At the 1836-1837 session of the general assembly a law was passed directing the governor to draw upon the treasurer for the surplus revenue which had been appropriated to the school fund in subscribing to the stock of the banks. In this way \$235,600 had been subscribed to the State Bank, and \$100,000 to the Bank of Illinois, a total of \$335,600. *Laws of Illinois*, 1837, 18; *Reports General Assembly*, 1838-1839, house, report of the fund commissioners, December 24, 1838, 1.

<sup>15</sup> The Bank of Illinois was able to sell its bonds, but the State Bank could not dispose of its bonds so that in reality it had little more liquid capital than it had before its capital was increased. *Illinois State Register*, October 26, 1839.

<sup>16</sup> *Reports General Assembly*, 1838-1839, house, report of the fund commissioners, December 24, 1838, 4; letter of Nicholas Biddle to the fund commissioners, October 17, 1837, *Internal Improvement Records*, VIII, 23; report of the fund commissioners to Levi Davis, state auditor, December 1, 1837, *Ibid.*, IX, 5.

<sup>17</sup> In accordance with the agreement made with Boorman and Johnson on October 13, 1837, \$40,000 of these bonds were to be used in payment of railroad iron. The firm was to furnish iron two and one-fourth by five-eighths inches weighing twenty-two tons to the mile. The iron was to be delivered in three lots during 1838. One per cent was to be charged for commission and tow and a half per cent for freight. *Ibid.*, VIII, 19-21, 24.

<sup>18</sup> *Reports General Assembly*, 1838-1839, senate, report of the fund commissioners, December 13, 1838, 3.

and \$321,084.78 from premiums, dividends, and interest, amounting to a total of \$5,668,003.92.<sup>19</sup> Disbursements made from the fund consisted of \$3,000,000 for bank stock, \$1,142,027.05 paid on drafts of the board of public works, \$144,700 paid to the counties in which no improvements had been made,<sup>20</sup> \$292,250 for interest, \$6,000 for salaries of the fund commissioners, \$58,552.74 for iron and locomotives, and \$4,870 for incidental expenses. The unexpended balance, amounting to \$1,019,604.04, was on deposit in banks, and was drawing interest at the rate of six per cent.<sup>21</sup> It was used by the banks like other similar deposits, and was paid upon the checks of the commissioners at any time and in such sums as they might choose to draw.

The terms of office for the original members of the fund commission were due to expire on March 1, 1839. The two houses of the legislature, therefore, met in joint session on February 26, to elect new members.<sup>22</sup> Moses M. Rawlings and Charles Oakley were re-elected and John Tillson was chosen as the third member.

<sup>19</sup> *Senate Journal*, 1838-1839, 108-09; *Reports General Assembly*, 1838-1839, house, report of the fund commissioners, December 24, 1838, 2-8.

<sup>20</sup> The board of public works had expended this money as follows:

Illinois River .....	\$ 5,100.00
Rock River .....	2,300.00
Kaskaskia River .....	2,279.37
Great Wabash River .....	2,316.00
Little Wabash River .....	3,799.76
Great Western Mail Route .....	94,932.07
Northern Cross Railroad .....	521,420.25
Central Railroad .....	200,117.38
Central Branch Railroad .....	56,789.09
Peoria and Warsaw Railroad .....	83,370.84
Bloomington and Mackinaw Railroad .....	43,075.72
Alton-Mt. Carmel and Alton-Shawneetown Railroads .....	126,516.57
	<hr/>
	\$1,142,027.05

<sup>21</sup> The money was on deposit in the following banks:

Bank of the United States .....	\$ 4,384
Bank of Illinois .....	280,228
State Bank of Illinois .....	630,022
Vandalia Branch Bank .....	104,968

Report on funds by William J. Gatewood, secretary of the board of public works, December, 1838, *Illinois State Register*, December 28, 1838. The report appearing in the *State Register* has a discrepancy of \$2.04 as compared with the report by the fund commissioners published in the *Reports General Assembly*, 1838-1839, house, report of the fund commissioners, December 24, 1838, 2-8.

<sup>22</sup> *Illinois State Register*, March 1, 1839.



The rapid construction on the internal improvement system during 1839 soon exhausted the million dollars or so available at the beginning of the year. The fund commissioners once more went to New York in an attempt to sell stock. On May 7, 1839, Rawlings and Oakley sold \$283,000 in state bonds to John Delafield.<sup>23</sup> By the terms of the contract Delafield promised to pay for the bonds in five installments of \$50,000 each on the first of December, February, March, April, and May, and one of \$33,000 on the first of June, 1840. The state was to pay interest on the bonds beginning May 7, 1839, the day the agreement was made. The contract was extremely unfavorable to the state.

During September further sales of bonds were made in smaller amounts, including \$50,000 to the Farmers' and Mechanics' Bank of Onondaga, \$100,000 to the Bank of Commerce of Buffalo, \$100,000 to the Erie County Bank of Buffalo, \$100,000 to the Commercial Bank of Buffalo, \$150,000 to the Atlantic Bank of New York, and \$100,000 to January and Dunlap of Illinois, contractors on the Northern Cross Railroad.<sup>24</sup> By the terms of these contracts the bonds were to be paid for in installments of \$10,000 to \$22,500 each at intervals of one to six months. None of the agreements was fully carried out except that of January and Dunlap who paid for the bonds in work done on the Northern Cross Railroad under their contracts on that line. The Onondaga Bank was a swindling concern and never made payments on the bonds.<sup>25</sup> The Atlantic Bank of New York closed its doors soon after the contract was made but the bonds were returned to the state without loss.<sup>26</sup> The other banks after each had paid \$10,000 in cash at the time of purchase found themselves unable to keep their agreements, and either re-

<sup>23</sup> Contract of Oakley and Rawlings with Delafield, May 7, 1839, *Internal Improvement Records*, VIII, 93; *Reports General Assembly*, 1839-1840, house, 363.

<sup>24</sup> *Internal Improvement Records*, VIII, 74-88.

<sup>25</sup> Letter of R. F. Barrett to Governor Carlin, January 3, 1841, *Reports General Assembly*, 1840-1841, senate, 341.

<sup>26</sup> *Internal Improvement Records*, VIII, 102.

turned the bonds or paid in scrip for those which they retained.<sup>27</sup>

After having exhausted the possibilities of the New York money market the fund commissioners went to London in an effort to dispose of more internal improvement stock.<sup>28</sup> On August 22, 1839, Rawlings and Oakley made a contract with John Wright and Company of London.<sup>29</sup> By this agreement the fund commissioners contracted to deliver on or before January 1, 1840, stock of the state to the amount of \$1,500,000, in bonds of \$1000 each, bearing interest at the rate of six per cent, payable annually. Wright and Company agreed to make advances totaling \$250,000 during the months of February, March, and April. They were authorized to pay \$500,000 of the bonds to Thompson and Forman for railroad iron which Rawlings and Oakley had bought from that firm.<sup>30</sup> The remainder of the bonds were to be sold by Wright and Company at not less than par estimated according to the existing rate of exchange between England and the United States. The contract also gave Wright and Company the option on the flotation of a further sum of bonds to make an aggregate of \$4,000,000.<sup>31</sup>

At the special session of the general assembly convened by Governor Carlin on December 9, 1839, to consider the internal improvement problem, some of the bond transactions made by the financial agents of the state were put under a severe scrutiny. The judiciary committees of the two houses acting

<sup>27</sup> Message of Governor Carlin, November 26, 1840, *House Journal*, 1840-1841, 21; *Reports General Assembly*, 1840-1841, senate, 5; *Internal Improvement Records*, VIII, 102.

<sup>28</sup> Letter of John Tillson, fund commissioner, to William J. Gatewood, July 30, 1839, *Ibid.*, VIII, 113.

<sup>29</sup> *Reports General Assembly*, 1839-1840, senate, 114, 393-409.

<sup>30</sup> Thompson and Forman agreed to furnish the state 9,500 tons of railroad iron at nine pounds ten shillings per ton. The first shipment to the value of \$50,000 was to be made as soon as the bonds were delivered to Wright and Company. Memorandum of the agreement of Rawlings and Oakley with Thompson and Forman, *Ibid.*, 1839-1840, senate, 409-13.

<sup>31</sup> The reason Wright and Company were willing to take Illinois internal improvement stock when other banking houses refused it can be explained by the fact that they were so largely interested in Cairo City where the Illinois Central Railroad was to terminate. Wright and Company had made loans to the Cairo City and Canal Company which was engaged in building extensive embankments to protect Cairo City from the floods of the Ohio river. *Chicago Democrat*, September 25, 1839; *Illinois State Register*, October 5, 1839.

as a joint committee to examine the contracts negotiated by the state agents made a report to the senate on January 20, 1840, in which they recommended the repudiation of the agreements with Wright and Company, Thompson and Forman, and John Delafield.<sup>32</sup>

The report stated that the state would not receive par for the bonds on which the principal and interest were payable in London with the exchanges as high as nine per cent between London and New York, and five per cent between New York and Illinois. It pointed out that with \$90,000 due in interest every year upon the \$1,500,000 in bonds sold by Rawlings and Oakley, the state would need the sum of \$102,600 with which to make the payment at the rate of exchange then prevailing. In the thirty years that the bonds were to run, the state would lose the sum of \$376,000 in interest alone on \$1,500,000 of bonds, the committee argued; therefore, the state would be compelled to pay more than the legal rate according to the law under which the bonds were authorized. The committee went on to show how the state would suffer large losses because the agreement stipulated that the expense of making the contract with Wright and Company should be borne by the state; that the charges of all contracts made by Wright and Company for the sale of the bonds to other persons should be paid by the state; that all remittances of money, to and from England, whether for the payment of interest or principal should be at the risk and expense of the state; that the state should pay Wright and Company one per cent for handing over the interest on the bonds after the money was furnished them; and finally, that the state should throughout the period of thirty years, pay for semi-annual advertisements to be made in London papers for the benefit of the coupon holders in England.

In repudiating the contract with Delafield, the committee pointed out that nine months of interest was to be paid upon the whole sum of \$283,000 before one cent of it had been

<sup>32</sup> *Senate Journal*, 1839-1840, 146; *Reports General Assembly*, 1839-1840, senate, 161-72; *Ibid.*, 1839-1840, house, 149-52.

received by the state, and before the last installment was paid, the state would have paid interest for one year and one month minus seven days upon the whole amount. Thus the state would have to pay a bonus of \$14,000.

In the senate, the committee on internal improvements considered all contracts which had been made by the fund commissioners for the sale of bonds since March 1, 1839.<sup>33</sup> A report by chairman John S. Hacker of that committee made on March 1, 1840, took the form of a reply to the report made by the joint judiciary committee of the two houses. It contended that unfavorable rates of exchange would not cause the bonds to be sold below par; even so, the exchange might be in favor of Illinois by 1870. The Delafield loan was upheld on the grounds that it was made on more favorable terms than any other loan at that time or for months after. The final argument of the committee was that the repudiation of the contracts would result in the entire abandonment of the internal improvement system and a complete loss of \$4,783,000, the whole amount of bonds sold since March 1, 1837.

When the resolutions of the joint judiciary committee came up for consideration in the senate on January 31, they were adopted by a vote of 21 to 18.<sup>34</sup> The next day, on the motion of William H. Davidson, the senate decided to reconsider, 22 to 18. On a division of the resolution, the first two on the Wright and Company and the Thompson and Forman contracts were defeated by a vote of 18 to 22, and the one on the Delafield contract was beaten by 19 to 20.<sup>35</sup>

There was a strong sentiment in this session of the legislature for a repeal of the internal improvement system. Finally, after much wrangling an act was passed on February 1 to abolish the board of fund commissioners and the board of public works.<sup>36</sup> The act provided that one fund commissioner was

<sup>33</sup> Report of the committee on internal improvements, March 1, 1840, *Ibid.*, 1839-1840, senate, 209-20.

<sup>34</sup> *Senate Journal*, 1839-1840, 224.

<sup>35</sup> *Ibid.*, 1839-1840, 235.

<sup>36</sup> *Laws of Illinois*, 1840, 93-96.

to be elected to perform the same duties as the board had previously, except that he could not sell state bonds nor borrow money on behalf of the state. The commissioner was authorized to receive and take charge of the railroad iron purchased in Europe and pay duty on it, to receive back all bonds from persons failing to comply with their contracts and to register and burn the bonds, to audit and settle the accounts of the previous board of fund commissioners and board of public works, and to bring suit against each member in arrears in the Sangamon county circuit court. On the same day the legislature elected Richard F. Barrett to fill the new office of fund commissioner.<sup>37</sup>

The action of the general assembly in questioning the legality of the Wright loans naturally had a harmful effect on the financial interests of the state in England. The recommendation of the joint judiciary committee that the contracts be repudiated compelled Wright and Company to cease operations for a time even though the general assembly did not adopt the report.<sup>38</sup> Governor Carlin felt that he could not assume the responsibility of ratifying the contracts after the strong expressions of disapprobation by the legislature.<sup>39</sup>

In November of 1840, Wright and Company became bankrupt.<sup>40</sup> The failure of the Wrights can be attributed largely to an overloading in American stocks. They took such securities at a time when other English banking houses avoided them. The Wrights claimed their downfall was caused by opposing bankers and brokers who induced the Bank of England to withdraw its support when most needed.<sup>41</sup> More likely the Bank of England withdrew its aid to protect itself rather than with any malign intent toward Wright and Company. The

<sup>37</sup> *House Journal*, 1839-1840, 334-36.

<sup>38</sup> Letter of Wright to Young, March 18, 1840, *Reports General Assembly*, 1840-1841, senate, 360.

<sup>39</sup> Letter of Carlin to Young, February 19, 1840, *Ibid.*, 1840-1841, senate, 363.

<sup>40</sup> The failure did not become known in Illinois until late in December. W. F. Thornton, president of the board of canal commissioners, to the speaker of the senate, *Governors' Letter Books, 1840-1854*, edited by Ewatts B. Greene and Charles M. Thompson (*Collections of the Illinois State Historical Society*, Volume VII, Springfield, 1911), 26.

<sup>41</sup> Letter of Samuel Allison to Governor Carlin, December 1, 1840; *Reports General Assembly*, 1840-1841, senate, 311.



attitude of the Illinois general assembly and of Governor Carlin on the bond contracts undoubtedly served to make the position of the Wrights more difficult at a critical moment.

When the London banking house closed its doors, a large sum of money realized from the sale of state bonds had not been turned over to the state. In Illinois it was the general opinion that no loss would be encountered by the state.<sup>42</sup> This did not prove to be the case for the state had to share the loss along with the other creditors of Wright and Company. In August, 1841, John D. Whiteside, who succeeded Barrett as fund commissioner, engaged Emery, Sewell and Moore, solicitors in London, to recover from the assignees of Wright and Company the amount due the state.<sup>43</sup> The claim of the state was for 41,625 pounds sterling of internal improvement bonds and 23,625 pounds sterling of canal bonds, which the brokers had sold for 52,776 pounds sterling and for which no settlement had been made. The sum of \$100,000 was eventually received by the state as its share of the dividends from the bankrupt firm.<sup>44</sup> The unsold stock remaining in the hands of the Wrights at the time of their failure was surrendered to the state through an order of the London Court of Review issued on January 12, 1842.<sup>45</sup>

The contract with Thompson and Forman for railroad iron likewise proved very unfortunate for the state. The agreement stipulated that Wright and Company should pay Thompson and Forman for the iron out of the proceeds of the \$1,500,000 state bonds for which they were agents.<sup>46</sup> In the event that the brokers should not be able to make a sale of the bonds, Thompson and Forman were to receive from them bonds at par value as collateral security for all shipments of

<sup>42</sup> *Alton Telegraph*, January 9, 1841.

<sup>43</sup> John D. Whiteside to the house, February 22, 1843, *Reports General Assembly*, 1842-1843, house, 238.

<sup>44</sup> Reprint of a letter appearing in the *New York Herald* from state senator Michael Ryan, *Illinois State Register*, October 27, 1843.

<sup>45</sup> 215,000 pounds sterling of canal bonds and 166,950 pounds sterling of internal improvement bonds were delivered to the agents of the state. Report of John D. Whiteside to the house, February 22, 1843, *Reports General Assembly*, 1842-1843, house, 238; *Illinois State Register*, March 25, 1842.

<sup>46</sup> *Reports General Assembly*, 1839-1840, senate, 409-13.

iron made to Illinois. The first shipment of iron to the value of 10,000 pounds sterling was paid for by the Wrights from the sale of bonds.<sup>47</sup> Other shipments were made in July and August of 1840, amounting to 10,357 pounds sterling, for which Wright and Company delivered to the iron merchants fifty-two Illinois six per cent bonds with a face value of \$52,000, as security to them as agreed upon in the contract.

When construction on the railroads was terminated in 1840, Barrett wrote to Thompson and Forman requesting them not to ship the iron as they were required to do by their contract, but to store it. Thompson and Forman replied that they had made arrangements for the fulfillment of the contract in every respect, and that they could not without serious inconvenience to themselves, comply with the request to store the iron. Instead of sending forward the whole amount of iron, 9,500 tons, as they had indicated in their letter, they only shipped 1,990 tons. In the meantime Barrett made a freight arrangement with Blaine, Tompkins, and Barret, a firm at St. Louis, and paid them \$50,000 in advance for such services.<sup>48</sup> When the iron was not forthcoming the state lost \$33,000 to the St. Louis firm because of the non-fulfillment of the contract.<sup>49</sup>

Under such circumstances Thompson and Forman later preferred a claim of damages against the state for about \$54,000, which they alleged was due them in consequence of the non-fulfillment of the contract on the part of the state. In reality they themselves had abandoned the contract. They also applied to the Court of Review at London to obtain a lien upon \$1,000,000 of bonds remaining unsold in the hands of Wright and Company. The court granted an order and with its con-

<sup>47</sup> *Ibid.*, 1852-1853, house, 333-35.

<sup>48</sup> Report of the select committee appointed by the house to examine the accounts of R. F. Barrett, fund commissioner, February 6, 1843, *Ibid.*, 1842-1843, house, 209-14, also 238, 391.

<sup>49</sup> John D. Whiteside sought to recover the \$33,000 for the state from Barrett. He proposed to submit the question to arbitration for settlement, which Barrett declined. Suit was then brought in the Sangamon county circuit court. A select committee appointed to examine the accounts of fund commissioner Barrett reported to the house of the state legislature on February 6, 1843, that Barrett should be absolved of all blame and censure in the case. The committee expressed the opinion that Barrett's course was governed solely by the intention to serve the best interests of the state. *Ibid.*, 1842-1843, house, 214.

sent the bonds were sent to the United States in 1849, and placed in the hands of Howland and Aspinwall of New York, subject to the order of the court in England. After several unsuccessful attempts for an agreement, the case was finally settled in 1859 when the state legislature passed a law authorizing the governor to make a payment of \$32,312.17 on condition that Thompson and Forman should cause to be delivered to the governor or his agent for cancellation all bonds in their possession.<sup>50</sup> The total number of bonds thus delivered amounted to \$1,088,000.

Soon after the adoption of the internal improvement system a movement was started to secure land from the national government to aid in building the railroads. During the special session of the legislature in 1837 William J. Gatewood reported a memorial from the senate committee on internal improvements with the request that Congress grant the state the right of way over the public lands for the several routes, or to grant to the state the right to purchase any quantity of lands adjacent to the several railroads, at a credit of ten years, without interest, not exceeding 500,000 acres, or to grant to the state without sale such quantity. The memorial was approved on July 21.<sup>51</sup> At the next session of Congress, Richard M. Young introduced a bill in the United States Senate granting to Illinois the right of way through the public lands for the railroads of the internal improvement system. After being reported by the committee on public lands, the bill was postponed indefinitely by the Senate.<sup>52</sup>

During the 1838-1839 session, the legislature passed a joint resolution requesting the Illinois Senators and Representatives in Congress to use their influence to procure the passage of a law granting to the state a portion of the vacant lands along the routes of the several railroads.<sup>53</sup> A bill introduced by Young was approved by the United States Senate on February

<sup>50</sup> *Laws of Illinois*, 1859, public, 19; *Alton Daily Morning Journal*, February 19, 1853.

<sup>51</sup> *Illinois State Register*, August 7, 1837; *Laws of Illinois*, 1837, special session, 110-11.

<sup>52</sup> *Congressional Globe*, 25 Congress, 2 Session, 73, 91, 96, 430.

<sup>53</sup> *House Journal*, 1838-1839, 439; *Laws of Illinois*, 1839, 293.

8, 1839, but got nowhere in the House of Representatives.<sup>54</sup> Young met with less success in the next, the twenty-sixth Congress. His bill to grant the right of way for the railroads through the public lands to the state was laid on the table after being reported by the committee on roads and canals in the Senate.<sup>55</sup>

A grant of land by Congress at this time would have been of little benefit to the state. The lack of money made the sale of land even more difficult than bonds.

The contractors on the internal improvement system continued to work on their contracts during 1839 even though the fund commissioners failed in securing funds to pay them. On August 1, Governor Carlin wrote a letter to the president of the Bank of Illinois seeking a short term loan of \$300,000 to pay the contractors the estimates due them.<sup>56</sup> In a second letter on August 23, he suggested that he would be willing to deposit \$500,000 in state bonds with the bank as collateral security.<sup>57</sup> On September 11, John Marshall, president of the Bank of Illinois, agreed to place to the credit of the fund commissioners and subject to their drafts on his bank, \$100,000 on October 1, and a like amount on November 1.<sup>58</sup> The \$200,000 loan was to be repaid in New York when funds became available to the state, interest was to be charged from the time the money was placed to the credit of the fund commissioners until the day of payment, and \$500,000 in bonds was to be placed with the bank as security. On September 14, the board of public works agreed on behalf of the fund commissioners, who were absent, to repay the loan in New York in installments of \$50,000 each on the first day of December, February, March, and April following.<sup>59</sup>

Much difficulty was experienced in repaying the loan to the bank as the fund commissioners were working at cross-pur-

<sup>54</sup> *Congressional Globe*, 25 Congress, 3 Session, 165, 169, 180.

<sup>55</sup> *Ibid.*, 26 Congress, 1 Session, 82, 536.

<sup>56</sup> *Reports General Assembly*, 1839-1840, senate, 149.

<sup>57</sup> Letter of Governor Carlin to the Bank of Illinois, August 23, 1839, *Internal Improvement Records*, VIII, 78.

<sup>58</sup> Letter of Marshall to the fund commissioners, September 11, 1839, *Ibid.*, VIII, 81.

<sup>59</sup> Letter of Hogan and Willard to the Bank of Illinois, September 14, 1839, *Ibid.*, VIII, 79.

poses. When the \$200,000 loan was negotiated with the Bank of Illinois, an agreement was made by Rawlings and Oakley with Delafield authorizing the bank to draw on him as the installments fell due from the \$283,000 loan which he had made to the state on May 7, 1839.<sup>60</sup> After Rawlings and Oakley left New York, Tillson directed Delafield not to pay any drafts that might be made on him by the bank. Consequently, when the bank presented a draft on Delafield in New York, payment was refused.<sup>61</sup> Tillson defended his action on the grounds that the money from Delafield was needed to pay interest on the debt.<sup>62</sup> On December 17, Rawlings and Oakley wrote to Delafield ordering him to pay the drafts drawn on him by the Bank of Illinois.<sup>63</sup> They pointed out that Tillson had no authority to change any contracts that a majority of the fund commissioners had made. Delafield not only refused to pay the drafts of the Bank of Illinois, but stopped payment on the state bonds altogether. He claimed that he had been promised that no more bonds would be placed on the market; but more bonds had been offered, causing them to decline to sixty-two cents on the dollar so that he could not dispose of those in his possession.<sup>64</sup> Delafield had paid only \$150,000 on the \$583,000 internal improvement and canal bonds which he held.

A long period of negotiation followed in which the fund commissioner sought to make terms with Delafield for the surrender of the bonds to the state.<sup>65</sup> On May 6, 1840, Dela-

<sup>60</sup> Letter of Rawlings and Oakley to Delafield, December 17, 1839; *Reports General Assembly, 1839-1840, senate, 447*; *Internal Improvement Records, VIII, 100, 128*.

<sup>61</sup> Letter of Marshall to Oakley, October 26, 1839, *Ibid.*, VIII, 100; *Reports General Assembly, 1839-1840, senate, 447*.

<sup>62</sup> Letter of Tillson to Gatewood, October 28, 1839; *Internal Improvement Records, VIII, 99*.

<sup>63</sup> *Reports General Assembly, 1839-1840, senate, 447*.

<sup>64</sup> Letter of Delafield to Rawlings and Oakley, January 31, 1840, *Internal Improvement Records, VIII, 138-40*. Both Oakley and Reynolds denied having made a promise to Delafield not to offer any more state bonds for sale in the United States. Oakley even claimed that Delafield had not even requested such a promise. Letter of Oakley to Barrett, September 14, 1840, *Ibid.*, X, 89; letter of Reynolds to Barrett, September 24, 1840, *Ibid.*, 96.

<sup>65</sup> Letter of Delafield to Barrett, May 6, 1840; Barrett to Delafield, May 21, 1840; Delafield to Barrett, May 23, 1840; Barrett to Delafield, May 26, 1840; Delafield to Barrett, June 23, 1840; Barrett to Delafield, July 2, 1840, *Ibid.*, X, 30-34.



field offered to pay \$260,000 for the bonds which he held. Barrett refused the offer, stating that the state could not take seventy cents on the dollar for bonds which would have to be repaid at their face value. On May 23, Delafield again made a proposal in which he offered to return the bonds which had not been disposed of and pay the state whatever had been received for the bonds that had been sold. Barrett refused this offer likewise, and countered with a proposal that the state would repay with interest the \$150,000 received from Delafield on the condition that all the 583 bonds be returned. When the offer was declined, Barrett began a suit in the United States Circuit court for the southern district of New York to prevent Delafield from disposing to innocent third parties of the bonds which he held in his possession. The court granted an injunction to prevent further sales and ordered a receiver of the bonds to be appointed. It was also pointed out in the court's decision that the contract was illegal because the bonds had been sold on credit.<sup>66</sup>

In 1841, John D. Whiteside, fund commissioner of the state succeeding Barrett, made an agreement with Delafield whereby the latter gave four promissory notes of \$57,361.73 each, due one, two, three, and four years respectively after April 21, 1841, in payment of half of the bonds for which he had not settled with the state.<sup>67</sup> For the other half of the bonds, John Tillson gave four similar notes as well as assigning to the state the entire stock of the "Quincy House" in Quincy, Illinois.<sup>68</sup> Tillson's interest in the Delafield debt at this time suggests that he may have had previous dealings with Delafield in state bonds. Neither Tillson nor Delafield were able to meet the obligations incurred in the agreement, and the state once more prosecuted its claim against Delafield under the injunction previously obtained against him. All the bonds were finally

<sup>66</sup> *Illinois State Register*, August 21, November 6, 1840; *Sangamo Journal*, September 17, October 23, 1840; *Internal Improvement Records*, X, 50, 74, 106.

<sup>67</sup> *Reports General Assembly*, 1842-1843, house, 225-37, 255-57; *Ibid.*, 1844-1845, senate, 189-90.

<sup>68</sup> The state became owner in April, 1847, of the "Quincy House," estimated to be worth \$100,000, in settlement of the claims against John Tillson. Communication from Governor Augustus C. French, January 27, 1849, *Ibid.*, 1848-1849, house, 75.

returned except those which had been sold to third parties. These, the state paid in full when it assumed payment on the internal improvement debt.

The loan from the Bank of Illinois was an expedient which eased the situation for only a short time. By January of 1840, the state was once more in arrears in its payment to the contractors to the amount of \$361,072.05.<sup>69</sup> During the following year the board of public works proceeded to pay for the work done on the internal improvements by issuing the contractors checks payable at such time as the necessary funds should be provided. A total of \$1,342,372.82 of such checks were given out by the board. In 1841 the board of auditors, created to settle the accounts of the contractors, issued \$82,011.82 more of the checks, making a total of \$1,424,384.64 in all of internal improvement scrip.<sup>70</sup>

By 1840 the problem of providing the interest on the state debt had become more important than the question of how more funds might be obtained to complete the internal improvement projects. Until that time premiums on bonds, interest on deposits, and dividends from bank stocks had been sufficient to pay the interest charges on the state loans.<sup>71</sup> In July of 1840 the interest due on state bonds held in London was paid out of 20,000 pounds sterling received from Wright and Company under the contract of October, 1839. To meet the interest payable on that date in New York, Colonel Mather, president of the State Bank of Illinois, loaned the state the sum of \$30,000.<sup>72</sup>

During the fall of 1840 the problem of meeting future interest payments appeared increasingly difficult. Governor Carlin convened the legislature two weeks early for the session of 1840-1841, for the purpose of finding some means to pro-

<sup>69</sup> Report of William Prentiss, secretary of the board of public works, made to the senate, January 8, 1840, *Ibid.*, 1839-1840, senate, 131.

<sup>70</sup> *Internal Improvement Records*, XVIII, 134.

<sup>71</sup> Receipts from those sources consisted of \$146,696.99 from premiums of exchange and interest on deposits, \$323,150 from dividends from stock in the State Bank, and \$147,500 from dividends from stock in the Bank of Illinois, *Reports General Assembly*, 1839-1840, senate, 119.

<sup>72</sup> Message of Governor Carlin, November 26, 1840, *House Journal*, 1840-1841, 26.

vide for the payment of the interest due on January 1, 1841. In his message Carlin expressed the opinion that there was no way to pay the interest except by the hypothecation or sale of state bonds below par.<sup>73</sup> He went on to point out, however, that the policy of paying the interest out of the borrowed money must soon be stopped, and the only alternatives which he could suggest were an increase of the banking capital and a resort to direct taxation.

The time in which the legislature had to act on the interest problem was very short. The plan most favored seemed to be that of hypothecation of bonds for whatever they would bring in the market. There was some sentiment for repudiation, especially upon those bonds for which the state had not received full payment. Much resentment was expressed against the acts of the fund commissioners in selling bonds on credit and for less than their face value. There were some members of the legislature who argued that the state was not bound to pay interest on bonds for which the state had not received face value, while others insisted that the state was in honor bound to do everything in its power to meet its obligation; if the agents of the state had erred, the state was responsible for their acts. The extended debate almost prevented any definite action being taken, but a law was finally passed on December 14, authorizing the fund commissioner to hypothecate internal improvement bonds to an amount not to exceed \$300,000, the proceeds of which were to be applied to the payment of all interest legally due on the public debt.<sup>74</sup>

Even with this law allowing hypothecation of bonds Richard F. Barrett, the fund commissioner, experienced great difficulty in obtaining the money necessary for the interest. After much effort he secured \$40,000 from the United States Bank, \$25,000 from Elisha Riggs, and \$29,410 from Nevins, Townshend and Company for only ninety days with thirty days grace.<sup>75</sup> He had to hypothecate 300 thousand dollar

<sup>73</sup> *Senate Journal*, 1840-1841, 10.

<sup>74</sup> *Illinois State Register*, December 18, 23, 1840; *Laws of Illinois*, 1841, 108.

<sup>75</sup> Report of Barrett to the senate, January 7, 1841, *Reports General Assembly*, 1840-1841, senate, 327; *Ninawah Gazette*, January 30, 1841.

bonds, and allow interest at the rate of seven per cent. If the bonds were not redeemed at the end of 120 days they were to be sold at auction for what they would bring. The bonds were redeemed without any loss to the state on May 8, 1841, by John D. Whiteside, who succeeded Barrett as fund commissioner.<sup>76</sup>

After having provided for the emergency of meeting the interest payment due January 1, the legislature set about devising means for additional state revenue. In February a law was passed authorizing a tax of ten cents on each \$100 of real and personal property of all citizens.<sup>77</sup> The proceeds of the tax were to be set aside as an "interest fund" and were to be used for the payment of interest on the state debt. Since such a tax would provide for only a small part of the interest payments, the governor was authorized to issue bonds to raise funds for the remainder. The bonds were to be sold by the fund commissioner at the best price obtainable.

In June, 1841, fund commissioner Whiteside made an agreement with Macalister and Stebbins of New York to hypothecate with them interest bonds of \$1000 each at the rate of \$400 per bond or forty cents to the dollar.<sup>78</sup> He delivered to the firm 804 bonds with the understanding that they were to pay \$321,600 on the interest due on the state debt, and that they would not dispose of the bonds unless sold at seventy-five per cent of their par value. Furthermore, they were to sell no more than to reimburse the advance which they had made to the state under the direction of the fund commissioner. On behalf of the state, Whiteside promised that the loan would be refunded within six months and that three and a half per cent interest would be paid on it during that period. Macalister and Stebbins paid \$286,443.33 on the interest of the state debt in July, and of this \$24,882.50 was returned in the form

<sup>76</sup> Report to the senate of John D. Whiteside, fund commissioner, December 26, 1842, *Reports General Assembly, 1842-1843*, senate, 73; *Internal Improvement Records*, IX, 80.

<sup>77</sup> *Laws of Illinois, 1841*, 166-67.

<sup>78</sup> Report of Whiteside to the senate, December 26, 1842, *Reports General Assembly, 1842-1843*, senate, 75; *Sangamo Journal*, October 22, 1841.

of a protested bill on October 9.<sup>79</sup> As the price of Illinois bonds declined after the contract, which was made on June 17, Macalister and Stebbins asked for more security and took into their possession forty-two more \$1000 bonds and \$67,215.44 of scrip, so that they held a total of \$913,215.44 in state liabilities as collateral security for the loan of \$261,560.83. The firm had to pledge these bonds in various amounts with different brokers and banks in order to raise the money which it had loaned the state.<sup>80</sup>

When the fund commissioner was unable to repay the loan in December, the creditors of Macalister and Stebbins proceeded to sell the bonds in their possession in an effort to satisfy the advances which they had made to that firm in order that it might loan the \$261,560.83 to the state. Five hundred and thirty-five of the state bonds selling at fifteen to twenty cents on the dollar netted only \$89,877.24.

During the 1842-1843 session of the general assembly, Macalister and Stebbins applied to the state for relief. A joint select committee was appointed to conduct an investigation at which John D. Whiteside and Charles Macalister testified. After hearing the testimony of these two men the committee adopted resolutions denying the right of the fund commissioner to hypothecate bonds under the existing laws of the state, but recommended that the holders of the bonds in question be paid *pro rata* for the amount advanced to the state on them.<sup>81</sup> After much discussion the legislature passed a law on March 4, 1843, authorizing the auditor to pay Macalister and Stebbins the sum of \$261,500 with interest from June 17, 1841, in installments of \$20,000 to be paid in 1844, and \$50,000 annually thereafter, until the whole amount was paid; provided, that Macalister and Stebbins should surrender the bonds and other state liabilities in their possession to the

<sup>79</sup> Macalister and Stebbins statement to the senate, *Reports General Assembly*, 1842-1843, senate, 197.

<sup>80</sup> *Peoria Register and Northwestern Gazetteer*, January 14, 1842.

<sup>81</sup> Report of the joint select committee to whom was referred the memorial of Charles Macalister, February 25, 1843, *Reports General Assembly*, 1842-1843, senate, 185-98; *Illinois State Register*, January 14, 1842; *Sangamo Journal*, January 7, 14, February 4, 25, 1842.



auditor.<sup>82</sup> This act to settle the account of Macalister and Stebbins was not carried out, as the bonds which they proposed to return were no longer subject to their control.<sup>83</sup> The Macalister and Stebbins transaction involved the state for many years in a dispute concerning the question of disposal of the bonds to third parties.

After July, 1841, the state defaulted on its interest payments, and its bonds fell to fifteen cents on the dollar. In six years Illinois had accumulated a debt of nearly ten and a half million dollars on account of internal improvements. No project had been completed. The Illinois and Michigan Canal still lacked more than one-fourth of completion. Some progress had been made on the entire railroad system, as construction had taken place simultaneously on all roads, but only the fifty-nine mile section from Springfield to Meredosia was completed. This section of railroad costing \$900,000 proved of no benefit as neither the state nor private interests to whom it was leased could operate it profitably.

When construction came to an end, the exact amount of obligations which the state had incurred in behalf of the system was not definitely known. The devious financial arrangements to which the state's agents had resorted in securing loans resulted in much uncertainty concerning the disposition and the state's liability in regard to the various bond issues. A summarization of the internal improvement system's financing discloses the state's obligations to have been as follows:

Certificate of indebtedness issued to the	
banks in January, 1838, in payment	
of bank stock — 1765 bonds sold to	
State Bank of Illinois .....	\$1,765,000.00
900 bonds sold to Bank of Illinois....	900,000.00

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\$2,665,000.00

Internal improvement stock sold by the  
fund commissioners in January, 1838 —

<sup>82</sup> *Senate Journal*, 1842-1843, 330, 456; *Laws of Illinois*, 1843, 287.

<sup>83</sup> Message of Governor Ford, December 3, 1844, *Reports General Assembly*, 1844-1845, senate, 9.

1000 bonds to Nicholas Biddle .....	1,000,000.00
1000 bonds to Irvine & Beers .....	1,000,000.00
100 bonds to Hall & Hudson .....	100,000.00
100 bonds to Boorman & Johnson..	100,000.00
4 bonds to Lt. Levy .....	4,000.00

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2,204,000.00

Internal improvement stock sold by the  
fund commissioners in May, 1839 —  
283 bonds to John Delafield .....

283,000.00

Internal improvement stock sold by the  
fund commissioners dated July 1,  
1839, and only partially paid for,  
except the first item —

300 bonds to January & Dunlap....	300,000.00
50 bonds to A. H. Bangs .....	50,000.00
100 bonds to Erie County Bank ....	100,000.00
100 bonds to Bank of Commerce ....	100,000.00
100 bonds to Commercial Bank ....	100,000.00
150 bonds to Atlantic Bank .....	150,000.00

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800,000.00

Internal improvement stock disposed of  
by the fund commissioners to Wright  
& Co., London, dated July 1, 1839 —

293 bonds of £225 each sold to  
Wright & Co.

33 bonds of £100 each sold to  
Wright & Co.

52 bonds of £225 each paid to  
Thompson & Forman

185 bonds of £225 each pledged by  
Wright & Co.

214 bonds of £225 each left with  
Wright & Co.

1668 bonds of £100 each left with  
Wright & Co.

Bonds amounting to £214,950 left  
with Wright & Co., on which  
Thompson & Forman obtained  
a lien, on account of a balance

due them for railroad iron. A	
total of £337,500, equal at \$4.44	
per pound sterling to .....	1,500,000.00

Internal improvement stock issued to provide for the settlement of debts incurred on account of internal improvements, pursuant to the act approved, February 1, 1840 —

180 bonds to Nevins, Townshend & Co., and E. Riggs in exchange for internal improvement scrip..	180,000.00
20 bonds to Nevins, Townshend & Co., for payment on interest January 1, 1840 .....	20,000.00
50 bonds to M. B. Sherwood for paper of Gallipolis Bank to pay freight on railroad iron .....	50,000.00
50 bonds to Nevins, Townshend & Co., in exchange for internal improvement scrip .....	50,000.00
100 bonds hypothecated to U. S. Bank .....	100,000.00
100 bonds to M. B. Sherwood in exchange for scrip .....	100,000.00
21 bonds left with Nevins, Townshend & Co. ....	21,000.00
78 bonds deposited with the State Bank .....	78,000.00
200 bonds hypothecated with the State Bank .....	200,000.00

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799,000.00

Illinois and Michigan Canal bonds dated July 1, 1837 — 100 bonds applied to the completion of the Northern Cross Railroad, Springfield to Meredosia .....

100,000.00

Internal improvement stock issued to provide for the payment of interest on the debt, pursuant to the act approved February 27, 1841 —

50 bonds to the State Bank .....	50,000.00	
804 bonds hypothecated to Mac-		
alister & Stebbins .....	804,000.00	
	<hr/>	
		854,000.00

Internal improvement scrip issued for  
the relief of contractors —

Scrip issued pursuant to act approved

February 3, 1840 ..... 1,342,372.82

Scrip issued pursuant to act ap-

proved February 26, 1841..... 82,011.82

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\$1,424,384.64

The Illinois indebtedness of the 1840's may not appear as a heavy obligation today, but to the people of a frontier state struggling through the bog of a depression, it presented an almost insurmountable difficulty. In 1842 the state of Illinois was able to collect but \$98,546.14 in taxes for the general expenses of government, while interest charges on the state debt amounted to nearly \$800,000 annually.<sup>84</sup> These figures portray clearly the seriousness of the situation.

For several years the state groped blindly for a solution of the debt problem. The hard times which made the debt appear even more burdensome led some people to despair of preserving the state credit and to demand repudiation. The state appeared to be enmeshed in a difficulty from which it could not extricate itself. The gloom prevailing in Illinois and other states with similar difficulties during the early 1840's presents a striking contrast to the buoyant optimism of 1836.

<sup>84</sup> Biennial report of the auditor of public accounts, December 1, 1850, *Reports General Assembly*, 1851, senate, 87.

## CHAPTER VII

### AS A POLITICAL ISSUE, 1837-1842

SUPPORT for the internal improvement system in the various sections of the state sprang from a diversity of motives. Friends of the Illinois and Michigan Canal sustained the system in order to insure continued support from the southern part of the state for the canal. The lead mining region in the northwest was favorable because the line of the Central Railroad from the termination of the canal to Galena would give it a direct connection to the eastern markets via the Great Lakes. The central portion of the state lent its support, though not very enthusiastically. The areas adjacent to the Northern Cross Railroad hopefully looked forward to the time when that line should give them a direct outlet to the east by the way of the Wabash and Erie Canal.

In southern Illinois, however, the system had its most vociferous advocates. The people of "Little Egypt" hoped that the system of railroads would help them to regain the ground which they had lost to the northern part of the state during the preceding decade. Since the opening of the Erie Canal, the northern sections had received more immigrants than the south, and it was thought the railroads might once more turn back the tide of emigration to the latter. The Illinois Central Railroad with its various branches and crossroads was expected to direct much of the trade to the state southward since it gave an outlet to the year-round river transportation on the Mississippi.

Opposition to the system came principally from those sections of the state which would derive no benefits. Counties along the Mississippi in the lower Military Tract were in opposition because they already had an outlet through the river. Greene county had no interest in the system for the same reason. The areas in the southwestern part of the state



tributary to St. Louis were singularly neglected when the act was passed, and their voice was raised loudly in protest against the system.

A repeal of the public works program was suggested as early as the special session of the legislature in 1837. Governor Duncan, the inveterate opponent of the internal improvement system, recommended repeal in his message to the legislature on July 11.<sup>1</sup> He was, however, in favor of carrying forward the work on the canal. He thought the other projects should be constructed by private individuals and companies aided by the state. The *Alton Spectator* charged that the governor wanted to grant the credit of the state to individuals and incorporated companies in order to enable himself and a few others to monopolize the transport business of the whole state.<sup>2</sup> Bills introduced for the repeal of the system were laid on the table in both houses of the general assembly — in the senate the vote was 19 to 12 — in the house 52 to 34.<sup>3</sup> The internal improvement committee of the senate reported a resolution stating that it had “undiminished confidence in the practicability and incalculable advantages of the system of internal improvements throughout the state as adopted at the last session of the Legislature.”<sup>4</sup>

The unsettled financial condition of the country inaugurated by the suspension of specie payments in May, 1837, caused some people to question the propriety of continuing with the public works program. The *Vandalia Free Press*, for instance, said that it was time for the people to pause, and calmly and dispassionately to inquire into the condition of the state before progressing with the system of internal improvements.<sup>5</sup> It pointed out that the interval of a few months had done very much to change the prospects of the system's probable success.

The internal improvement question became an issue in the election of August, 1838, when a new governor and members

<sup>1</sup> *Senate Journal*, 1837, special session, 11.

<sup>2</sup> *Alton Spectator*, July 20, 1837.

<sup>3</sup> *House Journal*, 1837, special session, 63, 74; *Senate Journal*, 1837, special session, 67; *Illinois State Register*, July 14, 1837.

<sup>4</sup> *Senate Journal*, 1837, special session, 96.

<sup>5</sup> *Sangamo Journal*, October 21, 1837.

of the legislature were to be elected. The Democrats claimed that the Whig candidates were hostile to the public works program.<sup>6</sup> "Cyrus Edwards, the Whig candidate for governor is against the internal improvement system," the *Illinois State Register* charged. Thomas Carlin, the Democratic candidate for governor, declared that he was in favor of internal improvements constructed and owned exclusively by the state, and should he be elected he promised to do all within his power to facilitate the construction of the projects which had been undertaken.<sup>7</sup>

In a long editorial on January 20, 1838, the *Sangamo Journal* decried the fact that the Democrats sought to make a "Van Buren party measure" out of the internal improvement system. The *Journal* claimed that the Democratic state convention was managed by four commissioners of the board of public works, Ebenezer Peck, James W. Stephenson, Murray McConnel, and Elijah Willard.

The election of Carlin, the *Chicago Democrat* proclaimed, showed that the people approved of the system and were determined to finish it.<sup>8</sup> To the *Quincy Whig* the election of Carlin had a different meaning. It declared that "to the internal improvement system are the Whigs of this state indebted for the loss of their governor, not that the people were opposed to the system, for that was not a question, but through the influence which it has had in introducing into our state a mass of foreigners as laborers, unacquainted in a great degree with our laws, with our state policy, and the privilege even which they enjoy as voters."<sup>9</sup>

On October 12, the *Illinois State Register* asserted that the Whigs were planning to make a party machine of the internal improvement system at the next session of the legislature, and that if they could not succeed in getting possession of every office connected with the public works, their next policy would be to destroy the whole system.

<sup>6</sup> *Illinois State Register*, February 9, March 9, 1838.

<sup>7</sup> Circular of Thomas Carlin addressed to the people, *Ibid.*, August 3, 1838.

<sup>8</sup> *Chicago Democrat*, September 26, 1838.

<sup>9</sup> *Quincy Whig*, September 1, 1838.

Governor Joseph Duncan upon his retirement opposed the system more strongly than ever. In his farewell address to the general assembly on December 4, he declared that his stand had undergone no change as expressed in his objection to the passage of the act, and his recommendation of its repeal at the special session of July, 1837. He pointed out that the chief objections which he had to the passage of the bill were the effects the system would have on the purity of elections and the action of the legislature. Then he went on to say that "the short time that has elapsed has verified the soundness of those objections; and when the whole system shall have been completed, and thousands of officers, engineers, agents, and laborers, shall have the same common interest in sustaining or opposing any measure which may effect their pay or pecuniary interests, they will not only, as was the case at the last called session, have representatives in your legislature, but will be here in numbers sufficient, openly or covertly, legally or illegally, to control its actions."<sup>10</sup>

The new governor in his inaugural address expressed the opinion that the success of the internal improvements in other states left no doubt of the wise policy and utility of such a program for Illinois. He predicted, "it will open new channels of commerce and trade, furnish a means of transporting products of labor to market, develop natural and hidden resources of the country, stimulate the enterprise and industry of the people." He approved the policy adopted by the legislature for a system constructed and owned exclusively by the state, but he would have recommended less extensive improvements and the construction of the most important works first; however, since nearly \$2,000,000 had been expended already, the system should be completed, but the most rigid economy should be used in the expenditure of the state's funds.<sup>11</sup> Carlin's message led the *Sangamo Journal* on January 5, to inquire what the governor meant by "modification," "does he mean curtailment or classification?"

<sup>10</sup> Message of Governor Duncan, December 4, 1838, *House Journal*, 1838-1839, 10.

<sup>11</sup> Message of Governor Carlin, December 7, 1838, *Ibid.*, 1838-1839, 28.

The legislature did not heed the advice of Governor Carlin. Instead, it authorized the enlargement of the system rather than its curtailment. Additional works were projected involving an outlay of nearly a million dollars.<sup>12</sup>

However, the session was not without proposals for cutting down the ambitious program of 1837. In the senate, William Ross of Pike county, moved the adoption of a resolution that the committee on internal improvements be instructed to inquire into the expediency of changing the system based upon the construction of railroads into turnpikes. The resolution was adopted but the committee was soon after discharged from further consideration.<sup>13</sup> Various proposals were made for classifying or curtailing the system.<sup>14</sup> William Gatewood of Gallatin county, in speaking against the classification bill offered by Peter Butler, gave warning that if the progress on the internal improvement system was checked, southern Illinois would retaliate against the canal which in former years it had supported.<sup>15</sup> Byrd Monroe of Clark county made a very sensible proposal in the senate that all work put under contract in the future should begin a continuous line commencing at the terminating points of the various routes.<sup>16</sup>

The house committee on internal improvements was still optimistic over the prospects of the public works program, and in a report on February 16, 1839, expressed the opinion that the system was "within the means of the state to complete without embarrassment to the people or arresting her career of greatness and prosperity."<sup>17</sup> When the bill to incorporate the Albion and Grayville Railroad Company was introduced in the house, the committee reported that it was inexpedient for the legislature to authorize corporations or individuals to

<sup>12</sup> *Laws of Illinois*, 1839, 89-96, 285.

<sup>13</sup> *Senate Journal*, 1838-1839, 40, 63, 135.

<sup>14</sup> By Augustus C. French of Edgar county, *House Journal*, 1838-1839, 359, 419. By Wyatt B. Stapp of Warren county, *Ibid.*, 1838-1839, 361, 556. By John J. Hardin of Morgan county, *Ibid.*, 1838-1839, 441, 510. By John Henry of Morgan county, *Ibid.*, 1838-1839, 214, 399. By Peter Butler of Warren county, *Senate Journal*, 1838-1839, 269, 277.

<sup>15</sup> *Illinois State Register*, March 15, 1839.

<sup>16</sup> *Senate Journal*, 1838-1839, 220.

<sup>17</sup> *Reports General Assembly*, 1838-1839, report of the committee on internal improvements to the house, February 16, 1839, 3-5.

construct railroads which might come into competition with similar works in course of construction under the state system of internal improvements.<sup>18</sup>

Supporters of the system were awakening to the fact that additional funds would have to be found if it was to be completed. A letter published in the *Peoria Register* from a New York correspondent stated that while the London market was flooded with state stocks, Illinois might secure loans if a direct tax were provided to insure the payment of the interest.<sup>19</sup> Taxation, however, would be bitterly opposed by the people of the state. Abraham Lincoln suggested a plan of financing the public works program by a speculation in the unsold land of the national government.<sup>20</sup> He introduced a resolution asking permission of Congress for the state to buy all the public lands in Illinois. There were at that time about twenty million acres of unsold government land in the state which would cost \$5,000,000, if purchased at twenty-five cents an acre. Lincoln thought that the state could borrow the money to pay for the land, sell it at a dollar and a quarter an acre, and use the proceeds to pay the principal and interest on the loan as well as the interest on the internal improvement loans until the public works would yield a profit. The house and senate passed the resolution, but the national government refused to accept the plan.

Early in 1839, public sentiment began to turn against the internal improvement system. Partly responsible was the taxation law passed at the preceding session of the legislature, providing for a levy of twenty cents on each hundred dollars of real and personal property in the state.<sup>21</sup> The proceeds from the tax were to be used to meet the ordinary expenses of the government. This tax had no direct connection with the public works program, but many people feared that it was the beginning of direct taxation to pay the interest on the rapidly

<sup>18</sup> *Internal Improvement Reports*, 1838-1839, report of the committee on internal improvements to the house on the Albion and Grayville Railroad, January 2, 1839, 1.

<sup>19</sup> *Peoria Register*, January 19, 1839.

<sup>20</sup> *Illinois State Register*, February 19, 1839; *House Journal*, 1838-1839, 600.

<sup>21</sup> *Laws of Illinois*, 1839, 9.



accumulating debt. In commenting on the revenue law, the editor of the *Lacon Herald* said that he agreed to devising some plan for augmenting the income of the state to meet the ordinary expenses of the government, but that he could not acquiesce in any direct taxation to sustain the system of internal improvements.<sup>22</sup>

During the spring and summer of 1839, a series of county meetings were held to demand a special session of the legislature to repeal the system. At a meeting in Bond county on March 16, a resolution was adopted condemning both the revenue law and the internal improvement system.<sup>23</sup> The resolution referred to the \$200,000 distributed among the counties without railroads as "hush money," and recommended that the county return its share to the state since it was a "bonus bribe intended to influence acquiescence in a premature and ruinous system of railroads." A. P. Field, the secretary of state, in addressing the assembly declared that the system had been founded on specious promises and calculations of profit which could never be realized. The expense of completing the canal and the railroads was estimated at \$21,000,000, which would place an insupportable burden on the state. The meeting appointed a committee which was to request the governor to call a special session of the legislature. In a letter addressed to Governor Carlin on May 27, 1839, this committee wrote that the people were not consulted when the system was established and they would never consent to taxation to support public works.

A Montgomery county meeting held at Hillsboro on April 1, adopted a resolution declaring that the projected internal improvements were unwise and injudicious and that they would impoverish the state and load the people with taxes.<sup>24</sup> A committee was also appointed to prepare a petition to the governor requesting a special session of the legislature. Similar meetings were held in Morgan, Hancock, Pike, Madison, White,

<sup>22</sup> *Lacon Herald*, April 20, 1839.

<sup>23</sup> *Illinois State Register*, March 22, 29, June 28, 1839; *Chicago Democrat*, April 24, 1839.

<sup>24</sup> *Illinois State Register*, April 19, 1839.

Crawford, Warren, Adams, Peoria, and La Salle counties.<sup>25</sup> The Adams and Warren county meetings passed resolutions proposing classification with the state concentrating its efforts on the most promising part of the system. The meeting held at Peru adopted a resolution stating that the canal should be pushed to keep faith with the national government which had donated large tracts of land, but that the railroads should be classified, with the Central Railroad getting the preference for immediate construction. At Peoria the opinion was expressed that the railroads should be abandoned and the canal completed.

Occasionally, however, a word was spoken in behalf of the system as it stood. Residents of Edgar county meeting at Paris on June 3, 1839, declared themselves by a 261 to 60 vote in favor of continuing the public works. They also passed a resolution requesting the governor not to call a special session of the legislature.<sup>26</sup>

The issue of a special session to repeal or modify the public works program was taken up by the newspapers. The *State Register* claimed that the demand for a special session was a Whig scheme to break up the system and elect a member of their party to the United States Senate. It was against abandoning this work and thought that only retrenchment was needed. In taking a stand against classification it brought forward a scheme by which the people might decide every year what sum they would spend upon improvements. Classification would result in repeal, the *Register* declared, for "strike off a single work, or classify a single road into a second or third class, and you make the friends of such road the mortal enemies of the whole system, and they will go for repeal."<sup>27</sup>

The Whig papers were generally in favor of calling a special session. The *Daily Chicago American* strongly urged that something be done to stop the internal improvements.<sup>28</sup> It

<sup>25</sup> *Alton Telegraph*, May 11, 18, 24, 1839; *Illinois State Register*, June 14, 21, November 30, 1839; *Quincy Whig*, July 6, September 7, 1839; *Sangamo Journal*, August 16, 1839.

<sup>26</sup> *Illinois State Register*, June 21, 1839.

<sup>27</sup> *Ibid.*, April 5, 18, June 21, July 6, 1839.

<sup>28</sup> *Daily Chicago American*, May 29, June 18, 1839.

declared that the mass of the people wanted a special meeting of the legislature to repeal the system. At least \$3,000,000 more would be spent on the improvements before the next regular session unless something was done quickly to stop the work. The *American* declared that the legislature was not to blame for the system as nearly everyone had favored it in 1837 when money seemed plentiful and the people had thought that the system could be completed without an increase in taxes. The change in the financial condition of the country had put a different light on the whole thing.

The *Quincy Whig* was especially vociferous in its demand for a special session.<sup>29</sup> It contended that there had been a revolution in public opinion against the system since the legislature had last met in the regular session. It recommended that the laborers and contractors should be paid after which the whole system should be suspended. The *Whig* was in favor of building some internal improvements such as good turnpike roads, but it was against taxing the people to pay for building 1300 miles of railroad which it denounced as the "grand Van Buren system."

The sentiment toward the Illinois and Michigan Canal was generally favorable for continuing the project. The *Alton Gazette* was an exception. In an editorial on July 30, the paper declared that when the state should attempt to curtail or modify her system of internal improvements, the first to be dropped should be the canal, a single mile of some portions of which cost more than fifty miles of railroad.<sup>30</sup> It asked why the people of other sections of the state should be deprived of the benefits resulting from improvements when they were likely to be taxed for the construction of a canal less than one hundred miles in length.

When Governor Carlin finally decided in November to call the legislature to meet on December 9, a number of the newspapers changed their position. The Whigs began to doubt the wisdom of calling a special session, though they still professed

<sup>29</sup> *Quincy Whig*, July 6, October 5, November 23, 1839.

<sup>30</sup> Reprinted in the *Sangamo Journal*, August 9, 1839.

to favor classification. It appears that the Whigs sought to place responsibility for the special session on the governor, although they had been most insistent in demanding that one be called. The *Sangamo Journal* and the *Quincy Whig* charged Governor Carlin with inconsistency. In July, they declared, he had been an uncompromising friend of the system, but now he was an opponent and friendly to classification. Some of the Democratic papers backed up Carlin, while others opposed him. The *Chicago Democrat*, which criticised the governor for calling the special session, was censured for this attitude by the *State Register*, which felt that the criticism was disrespectful to the governor and wholly unmerited. The *Register* declared it would be time enough to censure him after he had given his reasons for calling the legislature together; the governor doubtless knew better than any editor the wishes of the people in this matter, and he had only done his duty in calling the legislature together to discuss the internal improvement program. Democratic leaders at the beginning of the session disclaimed any responsibility for calling the general assembly, and they were inclined to let Carlin explain the reasons and suffer the consequences of having called it.<sup>31</sup>

In his message to the general assembly Carlin gave as his reasons for calling the special session, the demand of the people for a modification of the internal improvement law, and the necessity of doing something to arrest the costly expenditures on what appeared to be unnecessary work.<sup>32</sup> He stated that he had always thought the system too extensive for the resources of the state, and recommended that in the future all labor and expenditures be concentrated upon the most useful and promising roads, and upon the improvement of such of the larger rivers as might be navigable by steamboat, and to suspend operations and expenditures on other works until the more important were completed. The governor gave a summary of the financial condition of the state, estimating the total state debt on account of internal improvements at that

<sup>31</sup> *Illinois State Register*, October 12, November 9, 16, 1839; *Sangamo Journal*, September 28, November 15, 1839; *Quincy Whig*, September 14, 1839.

<sup>32</sup> *Senate Journal*, 1839-1840, 9-12.

time as \$9,752,000, and predicting that the debt would amount to \$21,846,444.50 on completion of all public works authorized by law. He concluded with the declaration that some members of the legislature would be unwilling to suspend the projects of their own district but he hoped that selfish interests would be sacrificed for the welfare of the state.

When the special session got underway it soon became apparent that there was little unanimity of opinion on the internal improvement question. Proposals varied from outright repeal to continuation of the system as it was then constituted. Early in the session, Wyatt B. Stapp, representing Warren, Knox, and Henry counties, offered resolutions in the house which denounced the system in harsh words. He declared that the people of the state of Illinois viewed with just indignation and alarm the extravagant and reckless manner in which many millions of dollars had been expended upon works from which there was little prospect of any benefits. He charged that the people had been led to believe that the cost of the system would not exceed \$8,000,000, that they had been deluded into thinking that they were to have railroads to every corner of the state without being taxed one cent, and the dividends on bank stock and the income from railroads would not only provide the interest on all sums paid for the construction of the system but would also produce sufficient revenue to defray the ordinary expenses of the government. Instead, there was a debt of more than \$11,000,000 with the work barely begun, and if the system was to be completed, ruin and desolation, and a debt of at least \$40,000,000 would be the result. Stapp moved that a bill be reported by the committee on internal improvements, repealing the internal improvement law and dismissing the officers of the system in the pay of the state. Robert Smith of Madison county asked that the resolutions be laid on the table, which was carried by a vote of 43 to 40.<sup>33</sup>

Various propositions were placed before the senate for extricating the state from its embarrassment. William H. Davidson of White county proposed a suspension of all operations

<sup>33</sup> *House Journal*, 1839-1840, 28-30.



upon the public works until 1841, in order to give the people of the state an opportunity to express their views upon the propriety of continuing the system by the choice of such individuals at the next general election as would reflect their sentiments upon the question in the legislature.<sup>34</sup> He stated at the time the system was adopted the people had believed it could be carried without resort to taxation, that the bank dividends, the premium upon bonds, and other sources would be sufficient to defray the interest on the sum borrowed until after the works were completed, when they could support themselves and pay off the principal on the cost of construction. Now that the deranged monetary affairs of the country had dried up those resources, the people should have a chance to decide whether they wanted to continue the works, since they would have to bear the cost.

Senator John S. Hacker of Union county was in favor of suspending work on the less important parts of the system and completing the remainder.<sup>35</sup> He denied that the resources of the state were dried up or that its resources had wholly failed, but he admitted that the system was an extravagant one. He argued that if the whole system were abandoned there would be nothing to show for the money expended, while if some of the works were completed there might be enough revenue to pay the interest on the principal borrowed. He asked if the senators were "willing to saddle upon their constituents a debt of \$4,000,000 with not a dollar's worth of property to show for money expended." Senator Byrd Monroe, representing Clark and Coles counties, made similar pleas for curtailment. He proposed to abandon 600 miles of railroad, and to repeal nearly all the appropriations made at the last session of the legislature, so as to reduce the cost of the system more than \$5,000,000 and leaving a balance of approximately \$4,000,000 to be expended.

John Moore of McLean county introduced a resolution in the house which proposed to instruct the committee on internal

<sup>34</sup> *Senate Journal*, 1839-1840, 23, 34-35; *Illinois State Register*, January 8, 1840.

<sup>35</sup> *Senate Journal*, 1839-1840, 129; *Illinois State Register*, January 15, 1840.

improvements to report a bill for completing certain public works and abandoning others.<sup>36</sup> The resolution asked for completion of the Illinois Central and Northern Cross railroads, the Great Western Mail Route, and the improvements on the Great Wabash, Illinois, and Rock rivers. Moore proposed, too, the reorganization of the board of public works and the board of fund commissioners so as to reduce the number of commissioners on each board.

The system had a consistent champion during the debates in William J. Gatewood of Gallatin county.<sup>37</sup> He declared that if the state abandoned the improvements, private companies would seize the works and appropriate them for their own use. Charters had once been granted to companies for constructing railroads along the routes of the Central, the Alton and Shawneetown, the Alton and Mount Carmel, and the Northern Cross roads. Gatewood charged that those people most clamorous against the system were deliberately attempting to get the state to abandon the works so that these companies might be revived to receive the benefit of the work which the state had done.

Numerous proposals were made for the completion of one certain work while all others were to be dropped.<sup>38</sup> In nearly all such proposals individuals sought to complete works in their own districts. When Joseph Naper of Cook county introduced a bill to reduce the number of railroads to one, John Crain of Washington county moved that the Illinois Central be the road selected for completion. Isaac P. Walker of Vermilion county, likewise, offered a bill to reduce the system to one railroad. Two amendments were proposed for the Walker bill. Robert McMillan of Edgar county moved that the road selected be one running east and west across the state, while Milton Carpenter of Hamilton county asked that it be the Central Railroad. John Dawson of Sangamon county proposed to keep in effect only that provision of the internal

<sup>36</sup> *House Journal*, 1839-1840, 46.

<sup>37</sup> *Illinois State Register*, January 15, 1840.

<sup>38</sup> *House Journal*, 1839-1840, 46, 211-15, 250, 258, 283, 284, 287, 299; *Senate Journal*, 1839-1840, 149, 150.

improvement act relating to the Northern Cross Railroad. James H. Lyons, representing Champaign county, would have completed only the eastern portion of the Northern Cross line from Sydney to the Wabash river. Robert Smith of Madison county sought to have the Terre Haute, Shelbyville and Alton Railroad completed, and James Rawalt, the Fulton county representative, asked for the construction of the Peoria and Warsaw Railroad from Peoria to Canton.

Some members of the house proposed bills providing for continuation of river improvement in their district. Completion of the Rock river project was sought by James Craig of Jo Daviess county. Joseph W. Churchill of La Salle county wanted work to continue on the Illinois river. Joseph G. Bowman, the Wabash county representative, asked for completion of the Great Wabash project under compact between Illinois and Indiana. In the senate, Robert Blackwell, representing Effingham, Fayette, and Clay counties, introduced a bill to provide for completion of the Great Western Mail Route.

Finally, a bill to repeal the act "to establish and maintain a general system of internal improvements" was passed. The bill was introduced in the senate on December 28, by William Weatherford, representing Morgan, Scott, and Cass counties, and after many unsuccessful attempts at amending to retain portions of the system in which different senators had a special interest, it passed the senate on January 20 by a vote of 21 to 19. Eight days later the bill passed the house, 47 to 35.<sup>39</sup> The bill did not become a law, however, through a technicality. When it was on its way through the senate an amendment was offered providing that no money should be paid for the right-of-way except where a railroad may be completed.<sup>40</sup> The amendment was adopted, but not copied onto the bill, and left on a separate sheet of paper. When the bill was read in the house the proviso was not with it, having been lost or ab-

<sup>39</sup> *House Journal*, 1839-1840, 22, 264; *Senate Journal*, 1839-1840, 64, 133, 134, 153, 155.

<sup>40</sup> Letter of John J. Hardin of Morgan county to the *Peoria Register* reprinted in the *Lacon Herald*, February 19, 1840.

stracted by someone. Upon its return to the senate after having passed the house, the speakers had their names stricken from the bill, when it became known that the amendment was missing. Davidson introduced an order requiring the speakers to sign the bill. The order was laid on the table, however, by a vote of 20 to 19 with the lieutenant-governor, Stinson H. Anderson, casting the deciding ballot.<sup>41</sup> Thus the bill to repeal the system was defeated.

When it was supposed that the system was repealed, an act was passed to settle with the contractors and wind up the system.<sup>42</sup> The old board of public works and the board of fund commissioners were abolished. They were replaced by one fund commissioner and three commissioners of public works. The act provided that construction might continue under the old contracts, but that no new work was to be let until provided for by future legislation. In commenting on the work of the special session, the *State Register* declared that "the system of internal improvements, concerning which the legislature was called together, is undoubtedly unrepealed."<sup>43</sup>

By the close of 1839 complete abandonment of the internal improvement system was becoming increasingly acceptable throughout the state. A number of Democratic county conventions passed resolutions demanding cessation of work on the railroad system.<sup>44</sup> The Democratic state convention, conven-

<sup>41</sup> *Senate Journal*, 1839-1840, 230-31.

<sup>42</sup> *House Journal*, 1839-1840, 293, 316; *Laws of Illinois*, 1840, 93-96.

<sup>43</sup> *Illinois State Register*, February 5, 1840.

<sup>44</sup> *Ibid.*, November 23, 30, December 7, 1839; January 4, April 10, May 29, 1840. Scott county Democrats meeting at Winchester on November 2, 1839, passed a resolution expressing their unqualified opposition to the system of internal improvements. A week later the Peoria county Democrats declared, "we are opposed to the further prosecution of the useless and unproductive scheme of the railroad system." The Lee county meeting at Dixon on November 16, favored classification, with river improvement, the Central Railroad, and the two Cross railroads in the first class. The following day the Democratic convention in Sangamon county went on record against further increases in the state debt. On November 19, the convention held at Greenville in Bond county added its disapproval. The Democrats assembled at Brownsville in Jackson county on November 23 passed a resolution declaring that since to complete the whole system seemed impossible without ruinous taxation, the internal improvement program should be curtailed; that the Central Railroad was the most important of all the works and should be completed, while the state was bound to complete the Illinois and Michigan Canal because of the land grant from the national government. A convention meeting at Danville on the same day also advised reduction. Menard county Democrats also gave their disapproval to any further work on the railroad system.

ing in December at Springfield, however, made no recommendations in regard to the internal improvement system.

Both parties sought to place the blame of the state debt on their opponents. The *Quincy Whig* tried to show that the Democrats were not only the first supporters of the internal improvement system, but until it began to grow unpopular with the people, were completely identified with it as a party. The *Quincy Argus* rejoined with the argument that the editor of the *Whig* was ignoring the fact that two-thirds of all Whigs in the legislature in 1837 voted for the measure.<sup>45</sup>

Most Whigs believed the problem of the state debt could be solved only with the aid of the national government. The *Sangamo Journal* stated in an editorial on July 24 that the only solution was the passage of Henry Clay's distribution bill. Whig proposals for assumption of state debts by the national government met the determined opposition of Governor Carlin. In a letter to Richard M. Young, United States Senator from Illinois, Carlin declared:

I must repeat were I in Congress I would vote against any and every measure tending that way, were it even to save Illinois herself. Should the government assume the debts of Illinois must she not assume the debts of all other states and of course contribute a like amount to states not indebted, and the whole country become overwhelmed and enslaved.<sup>46</sup>

During the summer of 1840 the canal question became an issue in Cook county politics. A disagreement in the Democratic convention led the disgruntled group to charge that the Democratic ticket was anti-canal. When an independent canal ticket was nominated, the Whigs chose no candidates, but gave the canal ticket their support. The regular Democratic ticket won; John Pearson was elected senator over James Turney, and Ebenezer Peck, Albert G. Leary, and Richard Murphy representatives over W. B. Ogden, John Wilson, and G. A. O.

<sup>45</sup> *Quincy Whig*, August 1, 1840; editorial of *Quincy Argus* reprinted in *Illinois State Register*, January 1, 1840.

<sup>46</sup> Carlin to Young, February 18, 1840, *Governors' Letter Books, 1840-1855*, edited by Evarts B. Greene and Charles M. Thompson (*Collections of the Illinois State Historical Library*, Volume VII, Springfield, 1909), 8.



Beaumont. The *Chicago American* charged that the canal laborers were responsible for the defeat of the canal ticket.<sup>47</sup>

Since the state had no funds on hand to meet the interest payment falling due January 1, 1841, the legislature was convened on November 23, more than a month ahead of schedule, in order to give it time to provide means for paying the interest.

In his message Governor Carlin recommended that a bill be passed authorizing the hypothecation or sale of bonds below par to pay the interest due on January 1, 1841.<sup>48</sup> He suggested that an effort be made to secure for the state some of the proceeds from the sale of public lands to meet future interest payments. He recommended, therefore, that the general assembly instruct the Illinois delegation in Congress to use their influence to procure passage of John C. Calhoun's bill ceding to the states the public lands lying within their respective limits, on the condition of their paying into the national treasury, on February 1, annually, one-half of the proceeds arising from the sales and reserving the other half to themselves. The governor further proposed the sale of canal lands to pay the interest on the canal debt.

In discussing the problem of providing means for paying the interest on the debt, the *Quincy Whig* asserted there were but two courses open to the state: taxation or repudiation.<sup>49</sup> "Let us pay now and our credit will rise," the *Chicago Tribune* declared.<sup>50</sup> It expressed regret that the governor had not favored direct taxation in his message. The *Sparta Democrat* warned that any increase in taxes would meet with serious opposition, but admitted that taxation would eventually be adopted to pay the state debt.<sup>51</sup> Richard F. Barrett, the fund commissioner, sent a communication to the legislature, requesting that taxation or some other permanent provision be

<sup>47</sup> *Chicago Weekly Tribune*, June 27, July 18, 1840; *Daily Chicago American*, June 25, July 27, 30, August 5, 1840.

<sup>48</sup> Message of Governor Carlin, November 26, 1840, *House Journal*, 1840-1841, 9-16.

<sup>49</sup> *Quincy Whig*, December 26, 1840.

<sup>50</sup> *Chicago Weekly Tribune*, December 5, 1840.

<sup>51</sup> *Sparta Democrat*, December 11, 1840.

adopted to provide for future interest payments.<sup>52</sup> He pointed out that the state credit could not be sustained much longer by borrowing. Such expressions favoring taxation, however, were the exception rather than the rule.

After passing a law to provide for the payment of the interest due on January 1 by the hypothecation of state bonds, the legislature proceeded to consider the problem of meeting future interest payments. Many proposals were made, but none seemed to have enough advocates to secure their adoption by the legislature. The house finally appointed a select committee of nine to study the problems of providing for the payment of the interest, the disposition of the system of internal improvements, and the continuance of the canal. The committee made its report on February 27.<sup>53</sup>

Taking up the disposition of the railroad system first, the committee recommended that the plan submitted by the committee on internal improvements be adopted. This plan provided for the total suspension of all operations upon the several works, for the reservation to the state of all lands and rights acquired under the system from forfeiture to the individuals or corporations from whom they were obtained, and for the sale of all the perishable materials and iron belonging to the state. The select committee further concurred in the plan to give up the railroads to private companies upon the condition that the work done by the state should be valued, that the company should expend a sum equal to the valuation and then half as much as would be necessary to complete the work before the state should be called upon to contribute anything further in its prosecution, after which, the state and the company were to be joint proprietors and participate in the profits of the system.

In its recommendations for providing means to pay the interest, the select committee concurred with the finance committee in its plan for taxing the salaries of state officials and

<sup>52</sup> Letter of Barrett to the legislature, January 7, 1841, *Reports General Assembly, 1840-1841*, senate, 330.

<sup>53</sup> Report of the select committee of nine, February 27, 1841, *Ibid.*, 1840-1841, house, 389-97.

members of the medical and legal profession and for a graduated tax upon deeds and other instruments of writing to be recorded. It did not, however, concur with the committee on finance in its proposals to tax merchants. The select committee further proposed that, in addition to the taxes already laid, the sum of twenty cents should be collected on every \$100 of property, and that in valuation of real estate the minimum should be fixed at four dollars an acre. Since the revenue to be derived from taxation would not be available for some time, the committee recommended that the governor should be authorized to issue interest bonds in such amount as would be absolutely necessary to raise funds for the payment of interest and the redemption of bonds hypothecated.

The committee further recommended that a law should be passed to legalize the suspension of specie payment by the State Bank, upon the condition that the bank should advance to the state the sum of \$100,000 annually, until the next regular meeting of the general assembly. This bank bonus was to be applied to the payment of state debts other than those due the bank.

For the canal the select committee recommended a steady and rapid progress toward completion. To finance the project the state should issue \$3,000,000 more bonds to be sold.

The legislature eventually passed a law to provide additional state revenue. A tax of ten cents on each \$100 of real and personal property was levied, and the fund raised by this means was set aside for the payment of interest on the state indebtedness. The minimum valuation of any lands subject to taxation was fixed at three dollars an acre. A law also was passed authorizing the governor to issue bonds which the fund commissioner was to sell at the best price possible to raise funds for paying the interest. Another act abolished the board of public works and appointed the state treasurer to adjust its accounts. Finally, a law was passed providing for the completion of that part of the Northern Cross Railroad between Springfield and Meredosia. Thus, the internal improvement system was completely disposed of, but the problem of paying

the interest on the debt was not solved. The legislature adjourned without making any provision for the continuation of work on the canal.<sup>54</sup>

The Whig papers bitterly denounced the general assembly after it adjourned. The *Vandalia Free Press* declared that after a session of ninety-eight days nothing had been accomplished, that a "more useless expenditure of time and money had never occurred in the annals of American legislation."<sup>55</sup> In the north both Whig and Democratic papers attacked the Cook county delegation for failing to secure funds to complete the Illinois and Michigan Canal. The Whig papers charged that the partisanship of Pearson, Peck, Leary, and Murphy alienated the friends of the canal in the legislature and foiled their efforts to secure any measures for its completion. It was stated that their own party failed to sustain the Cook county representatives in behalf of the canal, and when they worked for the election of a partisan canal commissioner the Whigs became disgusted and withdrew their support from the canal. The *Sangamo Journal* remarked that Cook and Will counties were reaping the bitter fruit of seed planted by their own hands.<sup>56</sup>

The friends of the canal did not give up hope of its completion. Meetings were held in northern counties and resolutions drafted requesting the governor to call a special session of the legislature for the purpose of devising means to continue work on the canal.<sup>57</sup> Northern newspapers likewise took up the appeal for a meeting of the legislature, and some of them demanded the resignation of the Cook and Will county members in the hope that more efficient ones might be elected to represent the canal region in the special session. Papers in the southern part of the state opposed a meeting of the legis-

<sup>54</sup> *Laws of Illinois*, 1841, 165, 166, 194.

<sup>55</sup> Editorial reprinted in *Sangamo Journal*, March 19, 1841.

<sup>56</sup> *Alton Telegraph*, February 13, 1841; *Daily Chicago American*, January 14, February 15, March 18, 1841; *Ninawah Gazette*, March 6, 1841; *Sangamo Journal*, March 26, 1841.

<sup>57</sup> Counties holding meetings included Marshall, La Salle, DuPage, Bureau, Stark, Putnam, and Peoria counties. *Illinois State Register*, April 2, 1841; *Ninawah Gazette*, March 13, 1841; *Sangamo Journal*, March 26, 1841; *Chicago Weekly Tribune*, May 1, 1841.

lature, although the *Belleville Advocate* declared that the canal would be of advantage in marketing products of that region. Wheat was selling in Chicago at a dollar a bushel, while south of Sangamon county the price was only fifty-eight to sixty-three cents. The difference occurred because the products could be shipped east from Chicago by a continuous water route, the *Advocate* pointed out, and if the Illinois and Michigan Canal were completed, the southern part of the state would enjoy the same advantage.<sup>58</sup>

Governor Carlin expressed the opinion that a called session would be inexpedient because he thought nothing would be done for the canal since the legislature had the same members as at the previous session. He was in favor of selling more state bonds to raise funds for the continuation of work on the canal.

The Whigs generally opposed further sales of bonds. To support their arguments they pointed to clippings from the *New York Herald* stating that the hypothecation of bonds to Macalister and Stebbins had destroyed the credit of the state.<sup>59</sup> The *Sangamo Journal* argued that while the canal should be completed, the state could never do it through the sale of bonds, but that if the canal were put in the hands of a private

<sup>58</sup> Clipping from the *Belleville Advocate* printed in the *Illinois State Register*, October 15, 1841.

<sup>59</sup> In June, 1841, John D. Whiteside, fund commissioner, made an agreement with Macalister and Stebbins of New York to hypothecate with them interest bonds of \$1000 each at the rate of \$400 per bond for forty cents to the dollar. He delivered to the firm 804 bonds with the understanding that they were to pay \$321,600 on the interest due on the state debt, and that they would not dispose of the bonds unless sold at seventy-five per cent of their par value. Whiteside promised that the loan would be refunded within six months, and that 3½ per cent interest would be paid on it during the period. Macalister and Stebbins paid \$261,560.33 on the interest of the state debt in July. As the price of Illinois bonds declined after the contract, Macalister and Stebbins asked for more security and took into their possession forty-two more \$1000 bonds and \$67,215.44 in scrip, so that they held a total of \$913,215.44 in state liabilities as collateral security for the loan of \$261,560.83. The firm had to pledge these bonds in various amounts with different brokers and banks in order to raise money loaned the state. When the fund commissioner was unable to repay the loan in December, the creditors of Macalister and Stebbins proceeded to sell the bonds in their possession in an effort to satisfy the advances which they had made to that firm in order that it might loan the state the \$261,560.83. Five hundred and thirty-five of the state bonds selling at fifteen to twenty cents on the dollar netted only \$89,877.24.



company it would soon be completed.<sup>60</sup> The *State Register* opposed this plan on the ground that the state would not receive any revenue from the completed canal with which to pay the interest on the state debt.<sup>61</sup>

The heavy debt and the hard times which made it seem even more burdensome led some people to despair of preserving the state credit and to demand repudiation. Meetings were held in Bond, Montgomery, and Scott counties to protest against additional taxation to pay the state debt. At the Bond county meeting held early in 1841 a memorial was adopted, which Richard Bentley, the county's representative in the house, presented to the legislature. The reasons assigned for repudiation in the petition were that the debt was contracted by the legislature without the consent of the people, that the issue of bonds by the state was in violation of the Federal Constitution which prohibits issuing bills of credit, and that to levy a tax to pay interest would be ruinous. After two attempts at reading were refused, Bentley withdrew the petition.<sup>62</sup>

The doctrine of repudiation was quite generally denounced by the newspapers of the state, but accusations were hurled back and forth in an attempt to place opposition papers on the defensive. When the *Sangamo Journal* published accounts of the repudiation meetings without any comment, the *Chicago American* expressed a regret and asked the *Journal* if it endorsed the proceedings of those meetings. The *State Register* declared that the *Journal* had stated that the state must choose between repudiation or taxation, and since taxation sufficient to pay the debt was impossible, the *Journal* must be willing to follow a policy of repudiation. The *Journal* on the other hand could point out that a proposed anti-repudiation plank in the Democratic state platform had been tabled. Perhaps the only paper in the state which espoused repudiation was the *Battle Axe*, a sheet without much influence. The *Alton Telegraph*,

<sup>60</sup> *Alton Telegraph*, November 13, 1841; *Ninawah Gazette*, April 17, 1841; *Sangamo Journal*, September 10, October 22, November 19, 1841.

<sup>61</sup> *Illinois State Register*, November 26, 1841.

<sup>62</sup> *Ibid.*, April 2, December 24, 1841; *Sangamo Journal*, January 21, 1841.

however, was not far from repudiation when it declared that the payment of interest should stop unless the bondholders would take still more bonds at par.<sup>63</sup>

After July, 1841, the state defaulted on her interest payments and her bonds fell to fourteen and fifteen cents on the dollar. Eastern papers often copied articles from Illinois newspapers discussing repudiation thereby further depressing the credit of the state. Statements were frequently heard in Illinois that the fear of taxation was driving immigration to other states.<sup>64</sup> The *Sangamo Journal* brought forward figures to show that taxes in Illinois were not as high as in surrounding states. It pointed out that in Ohio a two dollar tax was paid on every \$100 of assessed property, in Indiana something like one dollar was paid on the same amount of property and besides, a poll tax was levied there, and in Missouri one per cent was collected on property as well as heavy license taxes, while in Illinois the taxes in no cases exceeded eighty cents on \$100 of assessed property.<sup>65</sup> It must be remembered that other western states had heavy debts as well as Illinois.<sup>66</sup> Indiana had stopped interest payments some time before Illinois, and the state of Mississippi had adopted a policy of outright repudiation. Thus the financial confusion was general throughout the country, and Illinois was in no worse plight than many of her sister states.<sup>67</sup>

During 1841 and 1842 many proposals were made for rescuing the state from her plight, but in all of them a personal, sectional, or party interest can be detected. The *San-*

<sup>63</sup> *Alton Telegraph*, November 13, 1841; *Daily Chicago American*, January 12, 1841; *Illinois State Register*, October 1, 29, November 5, 1841; *Sangamo Journal*, January 21, June 11, November 19, December 25, 1841.

<sup>64</sup> Contrary to common belief that the population of Illinois remained practically stationary from 1840 to 1845, a substantial increase took place. The increase of thirty-nine per cent was a higher percentage than in most other states. *Chicago Democrat*, January 13, 1846; *Reports General Assembly*, 1846-1847, house, 48.

<sup>65</sup> *Sangamo Journal*, May 20, 1842.

<sup>66</sup> Pennsylvania had a debt of \$40,000,000; Alabama, \$11,500,000; Louisiana, \$23,871,000; Mississippi, \$12,500,000; Indiana, \$15,000,000; Ohio, \$13,724,755; and Michigan, \$5,000,000. Only seven states were without debts—all small eastern states. Article reprinted from *New York Herald* in *Illinois State Register*, April 23, 1841.

<sup>67</sup> *Ibid.*, August 20, 1841; *Sangamo Journal*, October 29, December 17, 1841.

*gamo Journal* consistently maintained that if Clay's distribution bill were adopted the state would receive sufficient funds from the public lands to enable her to pay the interest on the debt and complete the public works.<sup>68</sup> The *State Register* opposed Clay's Bill on the ground that the policy of distributing the proceeds from the sale of public lands among the states would tend to destroy state sovereignty and consolidate power in the national government.<sup>69</sup> Whig papers quite generally were favorable to the distribution bill as a party policy. The *Chicago American* revived Governor Duncan's plan of internal improvements constructed by private companies to whose stock the state would make subscriptions.<sup>70</sup> It also proposed drastic economy in government and taxation to pay the interest on the bonds. From the northeastern section of the state emanated a plan for applying to Congress for further donations of land to be sold and the proceeds used for finishing the canal.<sup>71</sup> At a meeting held at Ottawa, a petition was drawn up and forwarded to Senator R. M. Young, who was to present it to the United States Senate. The petition made a request for 492,818 acres of land, an amount equal to that which had been received by the state of Ohio. It was the general opinion that if the canal could be completed, the revenue which might be derived from the tolls would furnish a fund which might be applied to the payment of the interest on the state debt. Many Democrats still clung to the hope that more bonds might be sold. The *Sangamo Journal* claimed that the *Quincy Herald* was the only opposition paper which opposed issuing more bonds.<sup>72</sup>

Early in 1842 the *State Register* offered a plan proposing that the debt be paid by a sale of lands, railroad iron, and other state property. Bonds and other evidences of state indebtedness were to be received in payment of the property to be sold. The plan also proposed a separation of the state from the banks, to be effected by a withdrawal of the bonds

<sup>68</sup> *Ibid.*, January 22, April 16, May 14, 21, June 11, 1841.

<sup>69</sup> *Illinois State Register*, May 21, 1841.

<sup>70</sup> *Daily Chicago American*, May 11, 1842.

<sup>71</sup> *Alton Telegraph*, April 30, 1842; *Chicago Democrat*, February 18, 1842; *Sangamo Journal*, February 11, 1842; *Illinois State Register*, February 18, 1842.

<sup>72</sup> *Sangamo Journal*, December 17, 1841.

held by the banks. A dispute arose over the authorship of this plan. The *Sangamo Journal* claimed that William H. Henderson, the Whig candidate for lieutenant-governor, was the author and that the *Register* had stolen the plan. To these accusations the *Register* replied that William Gatewood should have the honor of the authorship since he had suggested the plan four months previously, and it charged that a statement embodying the plan had been stolen from his office about December 20, 1841.

The *Register* and the *Journal* also engaged in an argument as to the amount of the state debt, the *Register* insisting that the bonds sold by the bank, the appropriated school fund, the federal deposit, and all bonds irregularly sold might be deducted to the amount of six million dollars, and leaving a debt of \$10,213,089. The *Journal* contended that the debt was at least \$17,000,000. The Whig papers apparently took delight in pointing out that such an enormous debt had been contracted during a Democratic administration. The *Ottawa Free Trader* charged that false statements printed in the Whig papers found their way into the columns of eastern journals, where they were magnified so as to result in a loss of faith in the credit of the state by American and European capitalists.<sup>73</sup> With such irrelevant arguments and impractical schemes as were presented the question could not be settled.

At a public meeting held in Springfield a committee was appointed which gave a rather able report of the debt situation. The total of the state debt was estimated at fifteen and a quarter million dollars. The committee reported that the only available income at the command of the state consisted of the revenue from the state tax. This they estimated as sufficient to meet the current expenditures of the government, but no more. The committee believed to the fullest extent in the obligation of the state to pay all her debts, but the necessity of circumstances compelled her to defer payments until practical measures could be adopted after a thorough examina-

<sup>73</sup> *Daily Chicago American*, January 19, 1842; *Illinois Gazette*, February 11, 1842; *Illinois State Register*, January 21, February 4, 1842; *Sangamo Journal*, December 10, 1841.

tion of the state's resources. The return of better times would result in an increase in population and wealth so that the payment of the debt through taxation would not place too heavy a burden on the people. It was also pointed out that savings might be made by economy in public expenditures.<sup>74</sup>

The debt problem and the continuation of the canal became the chief issues in the election of 1842. Whig county meetings generally passed resolutions opposing the issue of any more bonds for any purpose whatever.<sup>75</sup> The Democrats demanded completion of the canal more emphatically than the Whigs.<sup>76</sup> The *Quincy Whig* charged that the *Chicago Democrat* wanted a Democrat nominated who was favorable to the canal, because the canal supported 5,000 laborers, a sufficient number to keep Illinois from voting for a Whig candidate for President.<sup>77</sup> When the Democratic papers of northern Illinois proposed to make the canal a party measure, the *State Register* and the *Illinois Gazette* warned that the entire Whig press of the southern part of the state would oppose the canal and destroy all hope of its completion.<sup>78</sup>

The position of the gubernatorial candidates on the internal improvement question was the subject of much debate. The Democrats tried to show that Duncan, the Whig candidate, was the cause of the difficulty in which the state found itself because he had been governor at the time the system of internal improvements was adopted. At Jacksonville on April 29, Duncan delivered a long speech to refute the charge that he had been originator of the system, and quoted his former acts and speeches to show that he had always favored construction of public works by joint-stock companies.<sup>79</sup> The Whigs declared that Thomas Ford, the Democratic candidate, was in

<sup>74</sup> *Ibid.*, January 28, 1842.

<sup>75</sup> Tazewell county, November 13; Madison county, November 20; McLean county, November 27; and Scott county, December 4. The Tazewell and McLean county meetings approved completion of the Illinois and Michigan Canal by the state. *Ibid.*, December 3, 17, 31, 1841.

<sup>76</sup> *Illinois State Register*, November 19, 26, December 3, 1841.

<sup>77</sup> *Quincy Whig*, November 6, December 11, 1841.

<sup>78</sup> *Illinois Gazette*, December 10, 1841; *Illinois State Register*, September 24, 1841.

<sup>79</sup> *Ibid.*, April 8, 1842; *Sangamo Journal*, April 1, 15, May 13, June 3, 1842.



favor of completing the canal when speaking in northern Illinois, and against it in his address in the southern part of the state.<sup>80</sup>

In stating his views on the debt and canal questions, Joseph Duncan had no solution to offer but merely told what he would not do.<sup>81</sup> He opposed further sale of bonds at less than par to continue work on the canal, and would not advise an increase in taxation to pay the interest on the debt. He proposed to sell all state properties and bank stock, receiving state indebtedness in payment. Being a good Whig he thought that the return of his party to power would bring a prosperity which would enable the state to meet its liabilities. He looked to the national government for aid, rather than for the state to work out its own solution. He promised additional land grants for the canal and aid from the distributive fund if the people would place the Whigs in power.

The views of Ford were not well known as he had not been actively engaged in state politics prior to his nomination for the governorship. During the campaign he opposed any further sale of state bonds. He insisted that the state must acknowledge its just debt and make provision to pay it.<sup>82</sup> The election of Ford gave the state an aggressive executive, who, with the aid of better times, was able to work out a solution of the state's difficult situation.

<sup>80</sup> *Illinois Gazette*, July 23, 1842; *Illinois State Register*, July 29, 1842; *Sangamo Journal*, July 22, 1842.

<sup>81</sup> *Illinois State Register*, May 13, 1842; *Sangamo Journal*, March 4, 1842.

<sup>82</sup> *Illinois Gazette*, July 30, 1842; *Illinois State Register*, July 22, 1842.

## CHAPTER VIII

### SOLUTION OF THE DEBT AND CANAL PROBLEMS

WHEN the general assembly convened in December of 1842, the state of Illinois was in a position where a decision had to be made on the internal improvement problem. Some permanent provision would have to be made to pay the interest on the state debt if the credit of the state was to be restored. Governor Carlin, in his farewell address to the general assembly, took a pessimistic view of the situation and offered no practical solution.<sup>1</sup> In an attempt to assign the responsibility for the state's plight, he charged that Illinois as well as other states had been induced to adopt an extravagant system of internal improvements by the wild spirit of speculation engendered by a lavish and reckless issue of paper money by the banks. He estimated the debt at \$11,171,379.65 upon which the legislature would have to provide for the payment of interest. He declared that the sale of state lands could not be relied upon to meet interest payments since there was no money available to invest in land, and taxation also was impossible in consequence of a disappearing circulating medium, a declining tax roll, and popular disapproval. Thus dismissing all hope of making any permanent provision for the payment of interest, Carlin claimed that the only possible solution of the problem was to reduce the principal of the debt by surrendering the lands and other property of the state to the bondholders. He denounced the plan of the Whigs to distribute the proceeds from the sale of the public lands among the states as being unwarranted by the Constitution. He recommended a separation of the banks from the state, and a rigid supervision of the banking institutions in the future. In closing he apologized for his gloomy view of the state's con-

<sup>1</sup> *House Journal*, 1842-1843, 16-33; *Senate Journal*, 1842-1843, 11-27.

dition and expressed the hope that his successor might work out a solution.

Thomas Ford, who had suddenly risen from a backwoods judge to the position of chief executive, showed a remarkable grasp of the state's condition in his inaugural address. He frankly stated the responsibility of the state to pay its debts, while asking for patience on the part of the creditors until rehabilitation of the state's finances could be accomplished.<sup>2</sup> The total of the state debt he placed at \$15,187,348.71. In presenting his program, Ford let it be known to the people of the state that no oppressive taxation was to be levied; at the same time he sought to convince the creditors that the people were determined to pay the debt. He recommended that the creditors be given at a fair valuation all the land of the state in order to diminish the debt as much as possible. He urged the immediate completion of the canal so as to enhance the value of the canal lands and to give the state a source of revenue for paying the interest on the debt. He recommended that the canal be completed on the "shallow cut" plan. In conclusion he asked for strict economy in governmental expenditures and that the banks be closed if they could not resume specie payments within a short time.

With such a strong message from the governor, the legislature was inspired to make a sincere effort to rescue the state from its embarrassment. The bank question was taken up first. On December 12, a joint resolution was passed authorizing the governor with the assistance of the auditor and fund commissioner to enter into negotiations with the Bank of

<sup>2</sup> Message of Governor Ford, December 8, 1842, *House Journal*, 1842-1843, 38-51. Ford estimated the total state debt as follows:

Internal improvement debt .....	\$ 6,014,749.53
Canal debt .....	4,436,408.00
Bonds issued to purchase bank stock .....	2,665,000.00
Surplus revenue deposited to account of state by	
United States .....	447,919.00
Amount due school fund .....	335,592.00
Due school, college, and seminary fund .....	472,492.18
Due State Bank for paying auditor's warrants ....	294,190.00
Due Bank of Illinois on settlement .....	369,998.00
Bonds issued to build a state house at Springfield..	121,000.00

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Total state indebtedness .....\$15,187,348.71

Illinois and the State Bank for the purpose of ascertaining upon what terms an amicable dissolution between the state and the banks could be effected.<sup>3</sup> In reply to a communication from the state officials, the directors of the State Bank sent a letter on December 21, in which they signified their willingness to exchange state bonds and scrip for bank stock, on the condition that the general assembly would allow the bank the use of its charter for liquidation and with the further privilege of retaining its charter if specie payments were resumed within a reasonable time.<sup>4</sup> Similarly, on January 17, James Dunlap, agent of the Bank of Illinois, sent a communication to the house of representatives suggesting a plan to dissolve the connection of the state with the Bank of Illinois.<sup>5</sup>

Accordingly, laws were passed for putting the State Bank and the Bank of Illinois into liquidation and providing in each case for the surrender to the state of the bonds which they held in exchange for the stock in the institution owned by the state.<sup>6</sup> The State Bank surrendered bonds and certificates amounting to \$2,073,501.51 which the governor burned on February 9, 1843, in front of the state house in presence of the general assembly.<sup>7</sup> State indebtedness to the amount of \$501,745.36 was similarly delivered by the Bank of Illinois and burned by the governor on March 4.<sup>8</sup> The governor also made a contract with the Bank of Illinois for the delivery of the residue of \$500,000 of state indebtedness, with interest, within one year from February 27, 1843. When the bank failed to keep its agreement, the legislature passed a law in 1845, authorizing

<sup>3</sup> Joint resolution relative to the disconnection of the state from the banks, December 12, 1842, *Laws of Illinois*, 1843, 321.

<sup>4</sup> *Reports General Assembly*, 1842-1843, senate, 94.

<sup>5</sup> *Ibid.*, 1842-1843, house, 202.

<sup>6</sup> *Laws of Illinois*, 1843, 21-35.

<sup>7</sup> Register of the bonds delivered to the governor by the State Bank on January 27, 1843, *Internal Improvement Records*, XX, 9-54. The state still owed the State Bank some money after the exchange of bonds and stock was concluded. Under the provisions of the eleventh section of the liquidation law of 1843, Governor Ford appointed Richard M. Young and Stephen A. Logan, arbitrators, who on August 14, 1845, made an award of \$85,380.45 in favor of the bank. Report of Governor Ford as fund commissioner *ex officio*, January 2, 1847, *Reports General Assembly*, 1846-1847, senate, 19-38.

<sup>8</sup> Register of the bonds delivered to the governor by the Bank of Illinois on February 28, 1843, *Internal Improvement Records*, XX, 55-68; *Alton Telegraph*, March 11, 1843.

a settlement with the state within four years.<sup>9</sup> Thus the settlement with the banks reduced the state debt approximately three million dollars.

Further to liquidate the debt the general assembly passed an act authorizing the sale of all state lands and property acquired in connection with the internal improvement system.<sup>10</sup> Such purchases could be paid for in evidence of state indebtedness as well as in gold and silver. The office of fund commissioner was abolished and the governor was appointed as *ex officio* fund commissioner to settle all suits, debts, or contracts involving the state on account of internal improvements.<sup>11</sup>

Another act authorized the governor to demand and receive from all persons or companies such bonds as might have come into their possession and remained unsold, and also to receive from all agents of the state all bonds, scrip, or other evidence of state indebtedness which might have come in their hands in pursuance of sales, exchanges, or liquidations.<sup>12</sup> All bonds received by the governor were to be cancelled and filed in the office of the secretary of state, and a report giving the amount and description of such bonds was to be made at the commencement of the next session of the general assembly.

No provision was made toward paying the interest through taxation; in fact, the tax rate was reduced to twenty cents on the hundred. The legislature did, however, pass a resolution stating that it fully recognized the legal and moral obligations of discharging every debt contracted by any authorized agent of the state, and that the revenue and resources of the state would be appropriated for that purpose as soon as they could be made available without oppressing the people.<sup>13</sup>

By far the most important act of the session was that which provided for the completion of the Illinois and Michigan Canal. The plan for completing the canal as embodied in the act of February 21, 1843, seems to have been suggested by

<sup>9</sup> Report of Governor Ford, March 2, 1843, *Reports General Assembly*, 1842-1843, house, 419; *Laws of Illinois*, 1845, 248.

<sup>10</sup> *Ibid.*, 1843, 191-93.

<sup>11</sup> *Ibid.*, 1843, 147-48.

<sup>12</sup> *Ibid.*, 1843, 42, 147, 339.

<sup>13</sup> *Ibid.*, 1843, 335-36.



Justin Butterfield in the summer of 1842 when he mentioned it in a letter to Arthur Bronson, of New York, one of the large holders of canal bonds.<sup>14</sup> A short time later Michael Ryan, chairman of the committee on canals and canal lands in the state senate, went to New York and discussed the plan with some of the capitalists who held Illinois bonds.<sup>15</sup> The bankers displayed a willingness to accept the plan and suggested terms on which they would make a loan.

The committee on canals and canal lands of the senate took up the scheme when the legislature met. In a report on January 5, the committee showed that according to the estimate of William Gooding, chief engineer, the canal could be completed on the "shallow cut" plan for \$1,600,000, whereas the work would cost \$3,098,169.29 to complete under the plan by which construction had been done.<sup>16</sup> In recommending the adoption of the proposal which had been suggested for completing the canal, the committee pointed out that a completed canal would yield a revenue to offset a portion of the interest charges the state was then unable to meet.

The act providing for the completion of the canal did not pass without opposition. Members of the general assembly representing southern Illinois declared that their section of the state would be taxed while only the northern counties would benefit.<sup>17</sup> A number of Whig papers in southern Illinois, of which the *Alton Telegraph* was the most outspoken, made a concerted attack on the proposed canal loan. The *Telegraph* declared it would be taking the property sacredly pledged for the payment of the \$5,000,000 already expended and placing it in the hands of trustees to be used for the reimbursement of a debt to be created for the completion of the canal.<sup>18</sup> This it claimed as unjust to the earlier canal bondholders. The canal

<sup>14</sup> Thomas Ford, *History of Illinois* (Chicago, 1854), 295.

<sup>15</sup> *Illinois Gazette*, December 3, 1842.

<sup>16</sup> Report of William Gooding, December 1, 1842, *Reports General Assembly*, 1842-1843, house, 114; report of the committee on canals and canal lands, January 5, 1842, *Ibid.*, 1842-1843, senate, 82-85.

<sup>17</sup> *Chicago Democrat*, March 21, 1843; *Illinois State Register*, March 17, 24, 1843.

<sup>18</sup> *Alton Telegraph*, January 7, February 4, 25, March 4, 1843.

should have been given over to a company to complete, the *Telegraph* maintained. It declared that assumption of the state debts by the national government was the only way of escape for the indebted states, and that opposition would mean political death to any candidate for office, thus showing that opposition to the canal measure was partisan and induced by a desire to have the state adopt the Whig program of federal assumption and distribution.

The canal act authorized the governor to negotiate a loan of \$1,600,000 on the pledge of the canal property and its tolls and revenues.<sup>19</sup> Holders of canal bonds and other evidences of state indebtedness were to be given the preference in subscribing to the loan. The canal was to be turned over to three trustees, two of whom were to be chosen by the subscribers to the loan, and one to be appointed by the governor. The trustees were to operate the canal for the benefit of the subscribers and other bondholders until the indebtedness to them was paid in full. After the payment of incidental expenses, the income of the canal was to be disbursed, first, on the interest of the loan, secondly, on interest of other canal bonds held by subscribers to the loan, thirdly, on interest of canal bonds held by non-subscribing bondholders, and fourthly, on the payment of the principal of the loan. Many provisions were put into the act to safeguard the interests of the state, including limitations on the sale or lease of the lands, lots, and water power of the canal.

In accordance with the provisions of the canal act, Governor Ford appointed Michael Ryan, a state senator from La Salle county and a former engineer upon the canal, and Charles Oakley, a former fund commissioner, as agents of the state to negotiate the \$1,600,000 loan.<sup>20</sup> When \$3,000 was borrowed from the school fund to finance the agents on their mission, Governor Ford became the subject of an attack by the *Alton Telegraph*.<sup>21</sup> The agents proceeded to New York, where they

<sup>19</sup> *Laws of Illinois*, 1843, 54-61.

<sup>20</sup> *Illinois State Register*, March 31, 1843; *Reports General Assembly*, 1844-1845, senate, 175.

<sup>21</sup> *Alton Telegraph*, April 22, 1843.

received assurances that the American creditors would subscribe their proportion of the loan. Through the aid of David Leavitt, president of the American Exchange Bank of New York, which owned \$300,000 canal bonds, the American creditors were called together and made their subscriptions amounting to \$600,000.<sup>22</sup> In the prospect of success thus presented, canal bonds of the state gradually advanced from fifteen cents, the low point of the previous autumn, to thirty-eight cents on June 2, 1843.<sup>23</sup>

In Europe, Oakley and Ryan found the foreign creditors less inclined toward a favorable view of the proposed loan. On June 27 the *London Times* urged the bondholders to consider carefully whether the security offered by the state was such as to justify a further advance. The European bankers may have been influenced by the Whigs in America who were working against the loan for political reasons. Michael Ryan in a letter to the *Ottawa Free Trader* wrote that letters from the United States had been received in London advising the capitalists there not to lend Illinois a dollar. In a bitter denunciation of the attempts to defeat the loan, he said, "I suppose the principal motive which induced these heartless wretches to make this effort was to defeat the state in her attempts to pay her debts, and thus favor the Whig project of assumption."<sup>24</sup> The charge of Ryan is given some support by an editorial which appeared in the *Alton Telegraph* declaring that "because we have dared to warn capitalists abroad from loaning this state another dollar, while under the control of the repudiating rascals that now misgovern it, such papers as the *Ottawa Free Trader* charge us with opposition to the canal."<sup>25</sup> At the same time it reiterated its stand in favor of completion of the canal by the national government.

When Ryan and Oakley were on the verge of giving up their mission in despair, Baring Brothers, and Jardine and Com-

<sup>22</sup> Report of Michael Ryan, December 13, 1844; *Ibid.*, 1844-1845, senate, 89-96; *Illinois Gazette*, June 3, 1843; *Illinois State Register*, June 9, 1843; *Illinois Statesman*, June 12, 1843.

<sup>23</sup> *Illinois Gazette*, June 24, 1843.

<sup>24</sup> Letter of Ryan reprinted in the *Illinois Gazette*, October 14, 1843.

<sup>25</sup> *Alton Telegraph*, July 29, 1843.

pany, two of the largest creditors of the state, decided to make an investigation of the state's proposal.<sup>26</sup> They commissioned Abbott Lawrence, Thomas W. Ward, and William Sturgis of Boston to appoint two competent men to examine the canal and its property, and to report to them accurate data as to its sufficiency as security for the loan. The Boston committee chose as agents to examine the canal, Captain William H. Swift, an engineer of the United States army, and Ex-Governor John Davis of Massachusetts, a Whig politician who at the time was considered as a candidate for the vice-presidency.

Davis and Swift inspected the canal during the winter of 1843-1844;<sup>27</sup> and on March 1, 1844, made an elaborate report, recommending the loan as a safe investment.<sup>28</sup> They found the net canal debt amounted to \$4,847,402.83. As the assets of the state, Davis and Swift listed 230,476 acres of land which they estimated would be worth ten dollars an acre at the completion of the canal, and 3,493 lots in Chicago, Lockport, La Salle, and Ottawa, valued at \$1,900,000. The canal itself was estimated to be worth five million dollars. Besides the \$9,204,670 of property, it was thought that \$75,000 to \$100,000 a year might be expected from the rental of water power, and canal tolls would reach \$363,865.25 by the second year of operation.<sup>29</sup> Thus, the report confirmed substantially the claims which Ryan and Oakley had made for the canal.

Ryan returned to England with the report of Davis and Swift, only to find the English creditors demanding further guarantees from the state. The bondholders steadfastly refused to make the loan until the legislature should adopt a system of taxation to provide an income for the payment of

<sup>26</sup> *Illinois Gazette*, November 4, 1843; *Illinois Statesman*, November 27, 1843; *Illinois State Register*, November 10, 1843; *Sangamo Journal*, November 9, 1843.

<sup>27</sup> *Illinois Gazette*, December 9, 13, 1843; *Illinois State Register*, January 5, 1844.

<sup>28</sup> Report of Governor Davis and Captain Swift, March 1, 1844, *Reports General Assembly*, 1844-1845, house, 313-80.

<sup>29</sup> The estimate of the earning capacity of the canal was far too high, as shown by the earnings when completed. The tolls for 1849, the second year of operation, amounted to \$118,375.72. Report of the board of trustees of the Illinois and Michigan Canal, December 1, 1849, *Ibid.*, 1850-1851, house, 182.

a part of the accruing interest on the debt.<sup>30</sup> In the meantime, Governor Davis, at the suggestion of Abbott Lawrence, proceeded to London to confer with the English bankers. Michael Ryan made a charge which was taken up by the Democrats in Illinois that the Whigs were attempting to frustrate the settlement of the debts of Illinois in order that in the presidential campaign of 1844 the Whigs might have another argument for the assumption of state debts.<sup>31</sup> Ryan claimed that Governor Davis on all occasions while abroad expressed a confident belief in the election of Henry Clay, and that he gave such assurances about aid being rendered to the indebted states that the bondholders decided to delay their subscriptions until the United States should be redeemed from the power of the Democrats by the election of Clay.<sup>32</sup> As proof that Governor Davis created this feeling in London, Ryan quoted from Baring Brothers' letter dated October 18, 1844: "It is true that under Democratic administrations since General Jackson, the public in Europe have suffered severely from the suspension of all payments in various American securities, and that they are disposed to attribute their misfortunes to the party in power, and to hope that Mr. Clay may assume a higher tone on the question of public faith."<sup>33</sup> The English bankers vehemently denied the charges preferred by Ryan.<sup>34</sup> Governor Davis and the Boston committee cannot be easily absolved of guilt in the matter. Certainly many Whig papers in Illinois opposed the proposed canal loan and openly proclaimed that the state could not be saved from repudiation without Whig success and the adoption of assumption by the national government.<sup>35</sup> When the Democrats were kept in power at the November election, the important question remained as to whether the state would comply with the demand of the bondholders for additional taxation.

<sup>30</sup> *Sangamo Journal*, July 25, 1844.

<sup>31</sup> *Illinois State Register*, November 22, 1844.

<sup>32</sup> *Chicago Democrat*, November 27, December 25, 1844, September 24, 1845; *Illinois State Register*, December 20, 1844; *Sangamo Journal*, December 26, 1844; *Reports General Assembly*, 1844-1845, senate, 133.

<sup>33</sup> *Illinois State Register*, October 10, 1845.

<sup>34</sup> Letter of Baring Brothers to Michael Ryan, Ford, *op. cit.*, 376.

<sup>35</sup> *Illinois Gazette*, September 14, November 29, 1844; *Sangamo Journal*, May 30, August 29, September 12, 19, 1844.



Two months or so before the legislature was to convene, William G. Wait of Bond county addressed a letter to Governor Ford through the columns of the *Illinois State Register*, bitterly denouncing taxation to pay the public debt.<sup>36</sup> The governor gave a reply in which he presented a clear exposition of the embarrassed condition of the state and from which he declared there was no honorable hope of escape except by taxation.<sup>37</sup> He said the people were called upon to choose one of two evils — repudiation or taxation. His choice was taxation, not immediate severe taxation, but such as could be borne by the people. He suggested that the first tax be collected in 1845, and that small yearly increases be made thereafter. He also recommended that a large portion of the land tax which was going to the counties should be transferred to the state. The governor's letter was extensively republished in newspapers, and received general commendation except from a few rabidly partisan Whig papers. David Leavitt, of the American Exchange Bank of New York, was greatly encouraged, and joined Colonel Oakley, who was still in the east, to go to England to reopen negotiations for the loan.<sup>38</sup>

In his message to the general assembly on December 3, 1844, Governor Ford demanded immediate action on the taxation question in order to allay the fears of the people who apprehended oppressive taxation and to restore confidence in the creditors abroad.<sup>39</sup> As the legislature set about its work Michael Ryan again made a plea for a tax. On December 9, he wrote Governor Ford that the bondholders would not complete the subscription of the \$1,600,000 until the legislature passed a law levying a mill tax, the proceeds of which should be applied to the payment of the interest.<sup>40</sup>

The members of the legislature were very much divided in

<sup>36</sup> Letter of Wait to Governor Ford, September 26, 1844, *Illinois State Register*, October 25, 1844.

<sup>37</sup> Letter of Governor Ford in reply to Wait, October 16, 1844, *Ibid.*, November 25, 1844.

<sup>38</sup> *Sangamo Journal*, November 28, 1844.

<sup>39</sup> Message of Governor Ford, December 3, 1844, *House Journal*, 1844-1845, 10-20.

<sup>40</sup> *Reports General Assembly*, 1844-1845, senate, 89-96.

their opinions upon the proper measures to adopt concerning the canal. Alfred W. Cavarly proposed in the senate that the state complete the canal through taxation and the issue of scrip. He wanted the state to retain complete control over the canal. William Fithian of Vermilion county offered a plan to organize a company to complete the canal by giving it the canal, the canal lands, and all other lands, railroads, and railroad property owned by the state. In addition he proposed to give the company \$1,000,000 in bonds bearing six per cent interest on the condition that it would complete the canal, and surrender to the state half her indebtedness in fifteen years and the other half in thirty years. Richard Yates suggested that the internal improvement and statehouse debt be refunded at three per cent, and that taxation be used to raise revenue to pay the interest and to create a sinking fund for paying the principal.<sup>41</sup>

In advocating a one mill tax, the house finance committee declared that it would give the people of the state self-respect, and would create confidence in the state abroad.<sup>42</sup> The proposal to levy a one mill tax met with determined opposition from the members of the legislature representing the southern and eastern sections of the state. Many complaints were made during the course of the session that the legislature was under the dictation of the bondholders. In a speech delivered in the house of representatives on February 4, Orval Sexton of Gallatin county denounced the scheme of increased taxation as a system of plunder which would sell his constituents into the hands of English bankers and brokers.<sup>43</sup> He declared that it was tyrannical for the members from the canal region to try to impose taxation upon the people of the whole state for a project which would benefit only one section. Stephen G. Hicks of Jefferson county and Braxton Parrish of Franklin county made similar statements. Andrew J. Kuykendall, representing Johnson and Massac counties, declared that if he

<sup>41</sup> *Chicago Daily Journal*, January 13, 16, 1845; *Illinois State Register*, January 10, 1845; *Sangamo Journal*, March 6, 1845.

<sup>42</sup> *Reports General Assembly*, 1844-1845, house, 129-42.

<sup>43</sup> *Illinois State Register*, February 21, 1845.

could be satisfied that the passage of the tax bill would induce the bondholders to advance \$1,600,000 for the completion of the canal, he would give it his hearty support, but he feared their aim was not to prosecute that work but to speculate upon the credit of the state. He pointed out that positive assurance was not given that the bondholders would advance the money if the tax were levied.<sup>44</sup>

The vote upon the tax measure was almost entirely along sectional lines. The northern portion of the state was for the tax, and the southeastern counties, and Adams and Hancock along the Mississippi in the west were against it.<sup>45</sup> Democratic papers accused the Whigs of opposition, but in fact most of the enemies of the measure were southern Democrats. A greater proportion of Whigs than Democrats voted for the measure in both houses of the legislature.<sup>46</sup>

The tax law as finally passed on March 1, 1845, provided for a levy of one mill upon each dollar valuation of property transferred from the county to the state tax.<sup>47</sup> In 1846 the rate was to be increased to a mill and a half and thereafter to remain at that figure. The proceeds of the tax were to be put in an interest fund and the governor was required to make semi-annual payments of interest beginning July 1, 1846, *pro rata*, on all the canal bonds and internal improvement bonds, excepting those hypothecated with Macalister and Stebbins. At the same time a new canal law was passed repeating the provisions of that enacted at the previous session.<sup>48</sup> News of the adoption of these acts was received enthusiastically along the canal route. Public meetings passed resolutions thanking Oakley, Ryan, Leavitt, and Governor Ford for their work on behalf of the canal. The *Joliet Signal* declared that the people of northern Illinois would not readily forget the steady and

<sup>44</sup> *Ibid.*, February 28, March 14, 1845.

<sup>45</sup> The vote on the tax bill was 21 to 20 in the senate, 66 to 39 in the house. *Senate Journal*, 1844-1845, 400; *House Journal*, 1844-1845, 577.

<sup>46</sup> *Chicago Democrat*, February 5, 1845; *Illinois State Register*, March 14, 1845; *Alton Telegraph*, February 8, 1845; *Sangamo Journal*, January 2, 1845.

<sup>47</sup> *Laws of Illinois*, 1845, 44.

<sup>48</sup> *Ibid.*, 1845, 31-32.

unflinching support which Governor Ford had given the revenue measure.<sup>49</sup>

The new loan for the canal was made promptly after the state took the action to assure the payment of its debt. By April 1, the New York and Boston bondholders had completed their subscription.<sup>50</sup> Within a month the European bondholders had acceded to the arrangements of the legislature and ratified the contract for the loan.<sup>51</sup> Twelve and a half per cent of the money was to be paid on May 27, and the residue as soon as it was needed. The bondholders elected Captain Swift and David Leavitt as trustees, and Governor Ford appointed Jacob Fry on behalf of the state. In June, the canal, its land and appurtenances, were conveyed by the governor to the trustees and active preparations begun for the resumption of work.<sup>52</sup> On July 22, the former contractors were allotted the work on the sections which they had had under their old contracts,<sup>53</sup> and on August 18, those sections not preempted by the former contractors were let to the "lowest responsible bidders."<sup>54</sup> These contracts were let at much lower figures than those of 1836, when prices in the canal region were extraordinarily high. In 1845 prices of goods and supplies ranged from twenty-five to sixty per cent of what they had been in 1836. Portions of the work were left at figures substantially lower than the engineer's estimates.<sup>55</sup>

Considerable time had to be spent in making preparations for the resumption of the actual work of construction because much

<sup>49</sup> *Chicago Daily Journal*, March 3, 7, 1845; *Illinois State Register*, March 28, 1845.

<sup>50</sup> Letter of J. H. Palmer to Colonel Oakley, April 1, 1845, *Ibid.*, April 18, 1845.

<sup>51</sup> Letter of David Leavitt to Governor Ford, *Ibid.*, May 23, 1845.

<sup>52</sup> *Alton Telegraph*, June 14, 1845; *Chicago Democrat*, June 4, 18, July 9, 1845; *Illinois Gazette*, August 2, 23, 1845; *Quincy Whig*, July 23, 1845; *Illinois State Register*, February 6, 1846.

<sup>53</sup> The canal act of February 21, 1843, provided that when work was resumed on the canal the former contractors were to have priority of right in securing the contracts on their old sections, but on revised estimates to be made by the chief engineer of the board of trustees. *Laws of Illinois*, 1843, 60.

<sup>54</sup> Report of the canal trustees to Governor Ford, December 1, 1845, *Illinois State Register*, February 6, 1846.

<sup>55</sup> A section of work estimated at \$171,700 was let for \$148,100. Report of the canal trustees, December 1, 1846, *Reports General Assembly*, 1846-1847, house, 122.

deterioration of the unfinished work had taken place during the period of abandonment. Floods and an unusual amount of sickness among the laborers delayed construction considerably during 1845 and 1846.<sup>56</sup> The people living along the canal often displayed an impatience with what they thought was an unnecessarily slow prosecution of the work.<sup>57</sup> Much dissatisfaction also prevailed throughout the state with the conduct of Swift and Leavitt, the trustees elected by the bondholders. Shortly before the legislature of 1846-1847 adjourned, each branch addressed a letter to Governor French, complaining in pointed terms that the trustees appointed by the bondholders very seldom visited their work which had resulted in delay in its progress.<sup>58</sup> Protests were also made against the salary of \$5,000 paid the trustees, whereas the state trustee received only \$2,000.<sup>59</sup> Leavitt and Swift were re-elected in 1846 by the foreign bondholders.<sup>60</sup> Their re-election was remonstrated against by the American bondholders, because of their non-residence on the work and the large salaries which they had voted themselves.<sup>61</sup>

<sup>56</sup> Message of Governor Ford, December 7, 1846, *Senate Journal*, 1846-1847, 7.  
<sup>57</sup> *Ottawa Free Trader*, January 1, 1847.

<sup>58</sup> *Illinois State Register*, June 17, 1847.

<sup>59</sup> *Alton Telegraph*, October 4, 1845. In 1849 the bondholders reduced the salary of the trustees from \$5,000 to \$2,500 and the salary of Edward B. Talcott, the chief engineer, was reduced from \$2,500 to \$2,000. The title of the latter's office was changed to general superintendent. *Illinois State Register*, April 26, May 21, 1849.

<sup>60</sup> *Ibid.*, June 11, 1847.

<sup>61</sup> Leavitt increased his unpopularity in 1849 when he brought forward a claim of \$40,000 as a commission for negotiating the \$1,600,000 loan in 1845. The bondholders would not allow the claim, and he renounced it temporarily in order to be re-elected trustee. In 1854 Leavitt obtained the depositions of a number of New York and local bankers, stating that the two and a half per cent commission was a reasonable charge. Governor Matteson, after some hesitation, approved the claim and certified it to the canal trustees. Josiah McRoberts, the state trustee, drew a check for the amount but withheld it until the claim could be approved by the board, which had to be done by mail as the members lived far apart. Captain Swift objected to the allowance, and McRoberts did not act further. Thus the matter rested until the administration of Governor Bissell, when C. R. Ray replaced McRoberts. The governor approved the claim and Ray paid it out of the canal fund, to which Swift made a vigorous protest. Bitter attacks were made on Ray for his action by the newspapers of Illinois, and the English bondholders directed their agent in the United States to institute a suit against Leavitt, in the supreme court of Massachusetts, for the recovery of the money received by him from the trust fund. By an agreement made on February 11, 1859, the case was referred to L. N. Barlow and John C. Green of New York for arbitration. Being unable to agree on an award, the arbitrators appointed Edwin Bartlett as umpire. Finally, on January 19, 1863, the umpire



In 1847, Governor French appointed Charles Oakley as the trustee on behalf of the state to succeed Jacob Fry.<sup>62</sup> The Whig newspapers claimed that Oakley was appointed as the result of a political agreement in which the price of French's nomination as governor had been the removal of Jacob Fry as trustee.<sup>63</sup> Soon after his appointment Oakley began a quarrel with the other trustees whom he accused of incompetence, neglect of duty, and taking excessive salaries. At a bondholder's meeting held in New York on October 18, 1847, Oakley made a report in which he charged Leavitt with non-cooperation and William Gooding, the chief engineer, with incompetence. Later Swift and Leavitt conducted an investigation at Chicago in which Oakley refused to take part, charging that a fair and impartial hearing was out of the question. He then resorted to the use of articles in newspapers to attack his colleagues and the chief engineer. In a report made to the legislature, Leavitt and Swift held that the charges against Gooding were false. The *Illinois State Register* termed the report a white-washing, while the *Illinois Journal* declared it triumphantly vindicated the chief engineer from all charges made against him.<sup>64</sup> Later Governor French appointed Judge Caton to conduct an investigation. After taking the testimony of numerous witnesses concerning the charges preferred against Gooding, Caton returned a lengthy report of nearly 300 pages to the governor, who removed Gooding and had Edward B. Talcott, the assistant chief engineer, promoted to the office of chief engineer.<sup>65</sup> The death of Charles Oakley late in 1848, caused a vacancy on the canal board which was

announced an award by which Leavitt was allowed \$10,000 with interest from May 1, 1845 to January 1, 1863, and ordered to return \$31,853.33 to the trust fund, and pay the costs of the suit and \$1,000 as compensation to the arbitrators. On February 4, 1863, Leavitt paid over to the trustees of the canal the amount of \$31,853.33 plus interest of \$210.57 for one month and four days. *Illinois State Journal*, January 26, 1859; report of Swift to the house concerning the suit against Leavitt, February 26, 1863, *Reports General Assembly*, 1862-1863, volume I, 833-37.

<sup>62</sup> *Illinois State Register*, January 29, 1847.

<sup>63</sup> *Chicago Daily Journal*, December 19, 1846, January 25, February 2, 1847; *Illinois Journal*, December 9, 1847.

<sup>64</sup> *Illinois State Register*, November 5, 1847; *Illinois Journal*, December 9, 23, January 13, 1847; *Reports General Assembly*, 1848-1849, house, 316-71.

<sup>65</sup> *Illinois State Register*, March 24, 31, 1848.

filled by the appointment of Ex-Lieutenant-Governor Wells.<sup>66</sup>

As the Illinois and Michigan Canal neared completion, Chicago made strenuous efforts for aid from Congress for its harbor. The Illinois delegation in Congress did not give their united support and were unable to achieve the results that might have been expected. In fact, the Chicago harbor question produced a division in the Democratic party in Illinois. The difficulty arose from the fact that individual congressmen represented the diverse and conflicting interests of the various parts of the state. John Wentworth of Chicago was interested primarily in lake harbors, while Orlando B. Ficklin and Robert Smith desired the continuation of the Cumberland Road, and John A. McClernand sought the improvement of navigation on the Ohio and Mississippi. At the session of Congress of 1845-1846, Wentworth had an appropriation of \$12,000 inserted in the river and harbor bill for the Chicago harbor. He gave warning to his colleagues that the appropriations for the Cumberland Road and the ship canal to the Illinois river might cause Polk to veto the bill.<sup>67</sup> Wentworth expected support from the east for the bill, and believed that the opponents of improving lake harbors were from the south and west. When Polk vetoed the bill on constitutional grounds, he was supported by McClernand and Ficklin who voted against the bill. The veto brought a storm of protest from a large part of the Illinois press. The Whig papers generally complimented Wentworth for his efforts to get the bill passed, and denounced Polk in strong terms.<sup>68</sup> A sandbar at the mouth of the Chicago river was named Mount Polk. The Democratic papers were sharply divided on the veto. Those of the northern portion of the state, particularly the *Chicago Journal*, joined the Whigs in their denunciation of Polk. On the other hand, the Democratic papers in the southern part of the state

<sup>66</sup> *Ibid.*, January 20, 1849. The *Illinois Journal* favored the appointment of Thomas Ford to fill the vacancy caused by the death of Oakley, *Illinois Journal*, January 17, 1849.

<sup>67</sup> *Alton Telegraph*, March 21, 1846; *Chicago Democrat*, March 11, 30, 1846; *Congressional Globe*, 29 Congress, 1 Session, 354.

<sup>68</sup> *Alton Telegraph*, March 14, April 4, 1846; *Chicago Daily Journal*, March 28, May 26, 1846; *Congressional Globe*, 29 Congress, 1 Session, 438, 479, 506, 522, 527.

and in the counties along the Mississippi approved Polk's action.<sup>69</sup>

The veto resulted in a non-partisan movement of protest which culminated in the river and harbor convention of 1847. The Whigs engaged heartily in the movement to protest the veto, because internal improvements by the national government was a good Whig doctrine, and those Democrats in the localities affected by the loss of the river and harbor bill were ready to join them. The convention meeting at Chicago on July 5, 1847, adopted a resolution calling on Whigs and Democrats alike to apply to every candidate for Congress the test of loyalty to river and harbor appropriations. Delegates from eighteen states were present at the convention. A memorial adopted by the convention requesting river and harbor appropriations was presented to Congress on June 19, 1848.<sup>70</sup>

Meanwhile repeated attempts were made to secure an additional grant of land from Congress for the Illinois and Michigan Canal. James Semple in the Senate and John Wentworth in the House introduced bills to such an effect during the 1844-1845 session of Congress. The efforts to secure the grant were repeated at later sessions.<sup>71</sup> A correspondence took place between the trustees of the canal and the commissioner of the general land office, commencing in February, 1850, upon the subject of an additional grant of land for the canal. The claim was made under the principle established by the act of Congress of May 9, 1848, granting to the state of Indiana "a quantity of land, which, together with the land already received and held by said state, for the construction of the Wabash and Erie Canal, will make the full amount equal to one half of five sections in width on each side of the canal."<sup>72</sup> On March 19, 1851, the Secretary of the Interior decided that

<sup>69</sup> *Chicago Democrat*, August 18, 1846, July 2, 1847; *Illinois State Register*, April 3, August 21, September 4, 1846.

<sup>70</sup> *Chicago Daily Journal*, September 15, 24, 1846; *Chicago Democrat*, September 29, 1846, May 4, July 13, 1847; *Congressional Globe*, 30 Congress, 1 Session, 852, 853, 867.

<sup>71</sup> *Ibid.*, 29 Congress, 1 Session, 124, 713; *Ibid.*, 28 Congress, 2 Session, 62, 149; *Ibid.*, 29 Congress, 1 Session, 171; *Ibid.*, 29 Congress, 2 Session, 32.

<sup>72</sup> *Reports General Assembly*, 1850-1851, house, 313.

the case of the Illinois and Michigan Canal was analogous to that of the Wabash and Erie, but as Congress was then in session it was considered expedient by the secretary to have the additional grant confirmed by law. Accordingly, a bill was prepared for that purpose and introduced in the Senate, but it was lost in the rush of business. Congress eventually passed a law on August 3, 1854, authorizing the grant, in which the state received 32,895 acres.<sup>73</sup>

Finally, in April of 1848, the Illinois and Michigan Canal was completed, twelve years having elapsed since the construction began.<sup>74</sup> The arrival of the first boat at Chicago from Lockport was hailed by thousands with demonstrations of joy. The occasion was enlivened by the music of many bands and fervent and appropriate speeches. "The long anticipated era has at length arrived when the waters of Lake Michigan and the Mississippi mingle together," the *Illinois Gazette* joyfully announced. The opening of the canal imparted to northern Illinois the many benefits which had been anticipated. By July, of 1848, seventy canal boats were in operation, and many more were needed to supply the demand. A deficiency of vessels on the upper lakes delayed for a time the development of the canal traffic to its fullest extent. By the close of 1848, however, such deficiencies had been remedied. The canal became an important route for the transportation of lumber from the Great Lakes region and merchandise from the East to the Illinois river towns and the nearby interior settlements. The farm products from the canal region and the Illinois river valley, and tropical products from the New Orleans and St. Louis markets were transported via the canal to Chicago on their way to the consumer in the northern and eastern parts of the country. The canal was of greatest benefit, however, to the nearby towns which experienced great increases in pop-

<sup>73</sup> *Illinois State Register*, September 28, 1854; *Reports General Assembly*, 1854-1855, 421; *Congressional Globe*, 33 Congress, 1 Session, 28, 44, 248, 2171, 2182, 2185.

<sup>74</sup> *Beardstown Gazette*, May 5, 19, 1848, October 25, 1848; *Illinois Gazette*, April 22, July 15, October 21, 1848; report of the board of trustees of the Illinois and Michigan Canal, December 1, 1848, *Reports General Assembly*, 1848-1849, house, 515.

ulation and in the variety and amount of business. Chicago, especially, made a remarkable growth.<sup>75</sup>

With the completion of the canal, the trustees were faced with the problem of paying the debt. The total cost of the canal upon its completion in 1848 amounted to \$6,468,854.25. Expenditures to 1845 when the canal was turned over to the trustees amounted to \$5,039,248.04 of which \$4,674,637.23 had been paid for construction and \$364,610.81 for contingent expenses.<sup>76</sup> The trustees expended \$1,429,606.21 in completing the canal and in constructing the necessary feeders from the Fox, Kankakee, and Calumet rivers to furnish a water supply.<sup>77</sup>

These sums, however, do not represent the entire amount of the canal debt. At the canal's completion, the debt stood at more than eight million dollars. Governor French in his message to the legislature on January 2, 1849, reported the total canal debt with interest amounted to \$8,042,622.<sup>78</sup>

To summarize the financing of the canal, the state had sold bonds to the amount of \$5,383,000, and had issued scrip of various kinds to the amount of \$1,390,549.37. The sale of bonds had been as follows:

500 bonds of \$1000 each, sold by Gov. Duncan to the State Bank, payable in New York .....	\$ 500,000.00
500 bonds of \$1000 each, sold by Gov. Duncan to the State Bank, payable in New York .....	500,000.00
300 bonds of \$1000 each, sold by Gen. Rawlings to John Delafield, payable in New York .....	300,000.00
1000 bonds of £225 each, sold by Gen. Rawlings to the U. S. Bank, payable in London .....	1,000,000.00

<sup>75</sup> For an account of the benefits derived from the canal see James W. Putnam, *Illinois and Michigan Canal, A Study in Economic History* (Chicago Historical Society's Collection, volume X, Chicago, 1910), 92-125.

<sup>76</sup> Report of the board of trustees of the Illinois and Michigan Canal, December 1, 1846, *Reports General Assembly*, 1846-1847, house, 98-100.

<sup>77</sup> Final report of the board of trustees of the Illinois and Michigan Canal, April 30, 1871, *Ibid.*, 1872-1873, volume I, 8.

<sup>78</sup> Message of Governor French, January 2, 1849, *Ibid.*, 1848-1849, senate, 7. During 1848 the trustees had paid \$169,165.48 on account of principal and interest on the \$1,600,000 loan, so that the debt stood somewhat higher than \$8,042,622.00 in April when the canal was completed. Report of the board of trustees of the Illinois and Michigan Canal, December 1, 1848, *Ibid.*, 1848-1849, house, 376.



100 bonds of £225 each, sold by Gen. Thornton to various contractors, payable in New York .....	100,000.00
150 bonds of £225 each, sold by Wright & Co., London, under a contract made by R. M. Young and John Reynolds, payable in London .....	150,000.00
1000 bonds of £225 each, sold by Gov. Carlin to canal contractors, and by their agent Gen. Thornton to Magniac, Smith & Co., London; which were exchanged by Magniac, Smith & Co., for 450 bonds of £100 each, and 600 bonds of £300 each, payable in London .....	1,000,000.00
197 bonds of \$1000 each, sold by canal commissioners to canal contractors, payable in New York .....	197,000.00
\$1,600,000 loan, sold by the canal trustees to various canal bond subscribers .....	1,600,000.00
Total bonds sold .....	<u>\$5,383,000.00</u>

Canal scrip and checks had been issued and put into circulation as follows:

Non-interest bearing scrip issued during 1839 in denominations of \$1.00, \$2.50, \$5.00, \$10.00, \$20.00, \$50.00, and \$100.00 .....	\$ 616,870.70
Interest bearing checks, dated Mar. 1, 1840, issued during 1840 .....	409,448.70
Contractors accepted orders, introduced by the canal commissioners in May, 1841 .....	46,000.00
Scrip issued by Gov. Ford and Gov. French to contractors for damages, under act of Feb. 21, 1843....	230,000.00
Scrip issued by Gov. French to pay balance due contractors, under act of Feb. 16, 1847 .....	70,530.91
Scrip issued by Gov. French to various persons for damages, etc., 1847-1849 .....	17,699.06
Total amount of scrip put in circulation .....	<u>\$1,390,549.37</u>

In 1847 an act was passed allowing the exchange of canal scrip for canal bonds.<sup>79</sup> The governor was authorized to issue bonds bearing six per cent interest for principal, and non-interest bearing certificates for arrears of interest, to all holders of scrip presenting it for refunding. Consequently,

<sup>79</sup> *Laws of Illinois*, 1847, 165.

1018 bonds of \$1000 each were issued for scrip surrendered.<sup>80</sup> A considerable portion of the scrip had already been redeemed through purchases of canal lands. Only a small amount of scrip remained unredeemed or unfunded.

Thus the original canal debt amounted to \$6,773,549.37. This sum did not comprise the entire canal debt, which was increased by the accumulation of interest, operating expenses, and the monetary and banking conditions prevailing in the country during the period of trust. The sum of \$2,155,622.38 was paid by the trustees in the discharge of the arrears of interest on the registered bonds, and \$2,457,276.46 was used by the trustees for the operating expenses of the canal. The sum of \$14,563.52 was lost by the trustees through bad currency and bank failures, and between 1848 and 1871 a total of \$370,864.42 was expended for premiums on gold with which to pay the interest and principal of the canal bonds payable in London.<sup>81</sup>

In 1859 two attempts were made to defraud the state. Holders of \$114,000 of Macalister and Stebbins bonds made an effort to have them refunded under the refunding law of 1847.<sup>82</sup> The liability of the state on these bonds under the law passed in 1849 by the general assembly to liquidate the Macalister and Stebbins bonds at 26 cents on the dollar plus interest was but \$45,000. If the refunding had succeeded the state's liability would have been \$192,683.

In the other case, the fraud consisted of the refunding of \$223,065.50 of ninety day redeemed and unused canal scrip, dated May 1, and August 1, 1839.<sup>83</sup> It seems that the scrip involved in this fraud was boxed up in 1839 after having been redeemed and deposited in the vault of the Chicago branch of

<sup>80</sup> Report of the senate finance committee, *Reports General Assembly*, 1860-1861, volume I, 416.

<sup>81</sup> Report of the canal commissioners, December 1, 1872, *Ibid.*, 1872-1873, volume I, 8.

<sup>82</sup> *Illinois State Journal*, July 20, August 10, 1859; *Illinois State Register*, January 10, 1860.

<sup>83</sup> *Illinois State Journal*, February 9, 16, April 27, May 4, June 29, July 6, 13, 1859; *Illinois State Register*, April 25, 1859; Theodore Calvin Pease and James G. Randall, editors, *The Diary of Orville Hickman Browning*, volume I, 1850-1864 (*Collections of Illinois State Historical Library*, volume XX, Springfield, 1925), 349-55.

the State Bank, and was regularly, through a number of years, delivered over by the outgoing canal officers to their successors. In 1853, Josiah McRoberts, the state canal trustee, took the boxes containing the scrip to LaSalle, where he left them in charge of Governor Joel A. Matteson to take to Springfield. Early in 1859, Jacob Fry, a former canal trustee, discovered that a large part of the scrip had been exchanged in 1857 for new state bonds. All the bonds were in the possession of Ex-Governor Matteson when the fraud was discovered. He claimed that he bought the bonds, but never made any attempt to show who had sold them to him. In February, 1859, the finance committee of the senate conducted an investigation and made a report of the evidence which it received, but forbore to express any opinion of the guilt or innocence of anyone concerned in the fraud.<sup>84</sup> In April, the grand jury of Sangamon county considered the case, but took no action except to order that all evidence presented in the investigation should be published.<sup>85</sup> The Republicans charged that the grand jury and the legislative committee had whitewashed Matteson for political reasons. Although he maintained that he had "unconsciously and innocently been made the instrument through whom a gross fraud upon the state has been attempted," Matteson turned the bonds over to the state so that no loss was suffered.

The funds with which the debt was paid off were derived from sales of canal lands, from tolls received on the canal, from the Illinois Central Railroad fund, from rents of lands and water power, from interest on the canal funds when deposited in banks, from interest on the unpaid installments on the lands sold, and from several minor sources including the sale of wood, timber, and stone, the sale of old machinery and implements, and favorable exchanges. The \$4,706,482.68 derived from the sales of canal lands was the largest income received from any one source by the trustees. Tolls and collections amounted to \$4,405,658.27.

<sup>84</sup> Report of evidence before the senate committee on finance in relation to the fraudulent canal scrip, *Reports General Assembly*, 1858-1859, volume I, 657-819.

<sup>85</sup> *Canal Scrip Fraud, Minutes of the Proceedings of the Sangamon County Grand Jury in the Investigation of the Case* (Springfield, 1859), 1-60.

By April 30, 1871, the entire canal debt was paid off except for \$13,000 of bonds which the holders had failed to present for payment. When the trust was dissolved on May 1, 1871, and the canal turned over to the state, the trustees reported a cash balance of \$95,742.41. During the twenty-three years in which the trustees held the canal, a total of \$11,009,507.41 passed through their hands with a small loss of but \$14,563.52, which was lost through bad currency and bank failures.<sup>86</sup> Apparently the canal finances were well administered by the board of trustees.

<sup>86</sup> Report of the canal commissioners, December 1, 1872, *Reports General Assembly*, 1872-1873, volume 1, 8.

## CHAPTER IX

### LIQUIDATION OF THE INTERNAL IMPROVEMENT DEBT

UNLIKE the canal, the internal improvement system of 1837 did not return an income to pay off its debt. The sale of the system's property and land which was authorized by the legislature on March 4, 1843, brought returns of less than one million dollars to the state. Payments on the purchases were made for the most part in depreciated state bonds and scrip.

Soon after the act was passed authorizing the sale of the improvement system property, Governor Thomas Ford sold to Joel A. Matteson four hundred tons of railroad iron at forty-five dollars a ton, payable in state bonds.<sup>1</sup> The iron was to be transported by the Ohio river, the Ohio Canal, and the Great Lakes to Michigan, where it was to be used on the Central Railroad of that state. As the state of Illinois had never paid the duties on the importation of the iron, it was seized at Cincinnati by the United States revenue officers, and detained until the fall of 1843 when release was secured. Since Matteson was put to considerable expense in paying storage and watchmen, and paying a high rate of freight after the water in the river had fallen, Governor Ford returned to him three one thousand dollar bonds which had been given in payment of the iron.<sup>2</sup>

The railroad timber in possession of the state in 1843, was sold by Robert Smith.<sup>3</sup> Virtually nothing was received by the

<sup>1</sup> *Alton Telegraph*, July 1, September 23, 1843; *Reports General Assembly*, 1844-1845, house, 148; *Ibid.*, 1846-1847, house, 21.

<sup>2</sup> *Internal Improvement Records*, XX, 112.

<sup>3</sup> John M. Kelly and Robert Smith were appointed by Milton Carpenter, state treasurer, to sell the state property. *Reports General Assembly*, 1842-1843, senate, 170. Smith was a resident of Alton and a former member of the general assembly. In 1842 he was elected to the United States House of Representatives where he served three consecutive terms, 1843-1849, and a fourth term, 1857-1859.



state as the expenses were almost equal to the proceeds of the sales. The *Alton Telegraph* charged that Smith bought most of the timber himself with state scrip and sold it for good currency.<sup>4</sup>

On February 23, 1843, the legislature authorized the governor to make a deed conveying title to two lots in Shawneetown to E. J. Durbin as soon as the balance due was paid in scrip or bonds.<sup>5</sup> The lots had been sold to Durbin on September 4, 1841, by John M. Kelly, who had been appointed by the state treasurer as agent to take charge of all the property purchased by the state on account of the internal improvement system east of the third principal meridian. The sum of \$2,912 had been paid for the lots with an unfinished depot building. Durbin had paid ten per cent at the time of purchase and was now ready to pay the balance in state scrip.

On September 4, 1843, William L. D. Ewing, state auditor, gave notice to holders of internal improvement bonds and scrip that all the remaining state property acquired on behalf of the internal improvement system would be offered at public sale to the highest bidder at the office of the auditor on the first Monday in April, 1844.<sup>6</sup> The property to be disposed of consisted of about 210,000 acres of land situated in the Danville, Chicago, and Dixon land districts which had been donated to the state by the national government, and about 42,000 acres of land entered by the state under the provisions of the internal improvement law and situated on or near the routes of the projected railroads. The land was to be sold in eighty acre tracts. In addition to the lands, the state mills at Carmi and New Haven were to be sold as well as the Northern Cross Railroad between Springfield and Meredosia, including the depots and buildings at Springfield, New Berlin, Jacksonville, Morgan City, and Meredosia, and also two locomotives, and all baggage and passenger cars, and other fixtures pertaining to the railroad. Payment of the property purchases was to be made with internal improvement bonds and scrip of the state

<sup>4</sup> *Alton Telegraph*, July 15, 1843.

<sup>5</sup> *Laws of Illinois*, 1843, 172.

<sup>6</sup> *St. Clair Banner*, January 16, 1844.

or with gold and silver coin. Some of the land was sold, but the mills and the railroad received no bids.

The Carmi and New Haven mills had been purchased by the state to facilitate the improvement of the Little Wabash river for steamboat navigation. On August 1, 1839, Elijah Willard, of the board of public works, had purchased of Charles J. Weed, 18.53 acres of land including the Carmi mill property for the sum of \$20,000, and on August 3, 1839, the same commissioner bought of E. H. Gatewood, Alexander Kirkpatrick, and Moses M. Rawlings, 27.03 acres of land, including the New Haven mill property for the like sum of \$20,000.<sup>7</sup> The Little Wabash river was to be fitted for steamboat navigation by building locks and dams at the principal shoals, and making such changes in the stream bed as might be necessary. The state spent \$6,530.24 in making surveys and removing timber growing near the water's edge. Contracts for building locks and dams at Carmi were let, but no work was done. In compliance with an act of the legislature passed February 27, 1841, John D. Whiteside, the fund commissioner, had made contracts on May 5, 1851, renting the mill at Carmi to Reuben Emerson for two years at a yearly rental of \$400, the mill at New Haven to John Wood on the same terms.<sup>8</sup> No payments were made on these leases. The tenants showed no interest in maintaining the properties and let them deteriorate, so that within a few years they were not worth \$10,000.<sup>9</sup> On January 14, 1847, Governor French recommended that the mills be sold for what they would bring.<sup>10</sup> He pointed out they were constantly decreasing in value with no income.

The Northern Cross Railroad between Springfield and Meredosia had been completed in 1842. After several months during which the state operated the road at a loss, it was leased.<sup>11</sup> Private operation, too, proved unsuccessful. The

<sup>7</sup> *Reports General Assembly*, 1846-1847, house, 302. The mills at New Haven were erected in 1811, and those at Carmi in 1815.

<sup>8</sup> *Ibid.*, 1842-1843, house, 77; *Ibid.*, 1844-1845, house, 150.

<sup>9</sup> Report of the select committee, February 2, 1847, *Ibid.*, 1846-1847, house, 302.

<sup>10</sup> Communication of Governor Ford to the senate, January 14, 1847, *Ibid.*, 1846-1847, senate, 291.

<sup>11</sup> For an account of the leasing see *Supra*, 107-09.

legislature passed an act on March 4, 1843, authorizing the governor to sell the railroad.<sup>12</sup> When Governor Ford failed to sell the road, he had it leased at public auction in April, 1843. The successful bidder, John Taylor, paid one year's rent of \$2,000 in state indebtedness. The following year the road was leased to Cornelius Ludlum and William D. Baxter. Under this lease a total of \$480 was paid in rent, which the state expended for repairs.<sup>13</sup>

In 1845 the Sangamon and Morgan Railroad Company was incorporated by the legislature for the purpose of disposing of the Springfield and Meredosia road. The company was to organize when \$234,000 was subscribed in state indebtedness as payment for the road.<sup>14</sup> Governor Ford opened subscription books for ten days at Springfield and Jacksonville.<sup>15</sup> No buyers appeared. After two years of inquiries Ford could find no purchasers at home, in the east, or abroad.<sup>16</sup> In a communication to the legislature on December 10, 1846, he proposed a new valuation, and recommended sale of the railroad iron as it was likely to be stolen since the road was no longer being used.<sup>17</sup>

The general assembly passed an act on February 16, 1847, directing the governor to sell the road at public auction to the highest bidder for legal evidence of state indebtedness.<sup>18</sup> Macalister and Stebbins bonds were not to be accepted. Payments were to be made on the day of sale. In accordance with this act, Governor French sold the Springfield and Meredosia Railroad to the highest bidder on April 26, 1847, at the state house in Springfield for the sum of \$21,100. The successful bidders were Nicholas H. Ridgely and Joel A. Matteson, bankers of Springfield.<sup>19</sup> The full sum of \$21,100 was paid

<sup>12</sup> *Laws of Illinois*, 1843, 193.

<sup>13</sup> Communication from the governor to the general assembly, December 29, 1844, *Reports General Assembly*, 1844-1845, house, 148; report of the fund commissioner, December 24, 1846, *Ibid.*, 1846-1847, house, 22.

<sup>14</sup> *Senate Journal*, 1844-1845, 286, 346, 425, 431; *Laws of Illinois*, 1845, 150-54.

<sup>15</sup> Communication from Thomas Ford in relation to the Meredosia Railroad, December 10, 1846, *Reports General Assembly*, 1846-1847, senate, 133.

<sup>16</sup> *Ibid.*

<sup>17</sup> *Ibid.*, 134.

<sup>18</sup> *Laws of Illinois*, 1847, 109-11.

<sup>19</sup> Copy of deed, sale of Northern Cross Railroad to Joel A. Matteson and

on the day of sale. The deed of conveyance delivered on June 30, 1847, stated that the buyers were to acquire:

All that part of the Northern Cross railroad, lying between Springfield and the Illinois river, and the right and title of the State to the land on which said road was constructed, together with the right of way, acquired or possessed by the State, including the depot, engine house, shop and lots on which they are situated, in Springfield; the depot and lots on which it stands in Berlin; the frame house erected in Jacksonville, for offices, and the lots on which it stands; the engine house and turn-table near Jacksonville, and the lot on which they are situated; the depot in Morgan City, and the lots on which it stands; the engine house, turn-tables and depot at Meredosia, and the lots on which they are situated; the ground on which said road was located, north of the public square, in Jacksonville; the lateral road to Naples; the depot in Naples and the lots on which it stands; with all the appurtenances to the lots, road, buildings, and offices, above enumerated, together with all the locomotives, engines, cars, and other implements used upon said road, the purchaser to have, hold, use, and enjoy the same.

Thus the only railroad completed under the internal improvement system was sold for approximately one-fortieth of its original cost. On July 5, 1847, Matteson transferred his interest in the road to Ridgely, and on September 24, 1847, Ridgely sold out to the Sangamon and Morgan Railroad Company.<sup>20</sup> After considerable rebuilding, the railroad was again put in operation on July 26, 1849.<sup>21</sup> Changes were made in the route so that Naples replaced Meredosia as the Illinois river terminal and the tracks were taken out of the public square in Jacksonville and laid through the north part of town as provided in the original survey. After several changes in name and ownership the Northern Cross became a part of the present Wabash Railroad Company.

Meanwhile the sale of other state property acquired in connection with the internal improvement system met with little success. William L. D. Ewing, state auditor, reported on

Nicholas H. Ridgely, *Letters of a Public Nature from the Secretary of State*, volume VII, December 17, 1840-June 6, 1850, no paging.

<sup>20</sup> H. J. Stratton, "The Northern Cross Railroad," *Journal of the Illinois State Historical Society*, volume XXVII, number 2 (July, 1935), 50.

<sup>21</sup> *Illinois State Register*, January 7, November 10, 1848, July 26, 1849.

December 16, 1844, that 19,938.19 acres of land had been sold for \$73,199.15.<sup>22</sup> Lands still unsold amounted to 234,055.83 acres with an appraised value of \$1,290,709.71. Other internal improvement property remaining unsold included the Carmi and New Haven mills valued at \$46,545, ten acres of land in Cairo and three-fourths acres in Equality not appraised, and lots at Shawneetown, Paris, Jacksonville, Meredosia, New Berlin, Springfield, and Decatur.

Sales of land during 1845 and 1846 brought the total amount sold by December 1, 1846, to 91,749.30 acres.<sup>23</sup> During the next four years sales proceeded even more slowly so that by December 1, 1850, the state had disposed of only 120,923.36 acres, with 130,428.34 acres remaining unsold.<sup>24</sup>

On February 7, 1851, the general assembly passed a law suspending the sale of state lands so that they would not have to compete with the land being sold by the newly chartered Illinois Central Railroad Company, and the bounty lands granted to the soldiers by the national government after the Mexican War.<sup>25</sup>

In 1853 Governor French recommended that the state lands again be put on sale.<sup>26</sup> He stated in his annual message that when the legislature withdrew the lands from the market, the act was a wise one, but the policy of withholding from sale was no longer needed. In accordance with the governor's recommendation, a law was passed on February 14, 1853, directing the auditor to sell all lands within twelve months to the highest bidder for gold and silver; no land was to be sold for less than \$3.50 per acre except that appraised for less than that figure, which was to be sold at its appraisal.<sup>27</sup> The lands were to be offered for sale at county seats in which they were located.

<sup>22</sup> Appraisement of state property laid before the senate by William L. D. Ewing, auditor, December 16, 1844, *Reports General Assembly, 1844-1845*, senate, 142.

<sup>23</sup> Report of the auditor, Thomas H. Campbell, December 1, 1850, *Reports General Assembly, 1850-1851*, senate, 44.

<sup>24</sup> *Ibid.*

<sup>25</sup> *Laws of Illinois, 1851*, 23, 204.

<sup>26</sup> Message of Governor French, January 3, 1853, *Reports General Assembly, 1852-1853*, senate, 10.

<sup>27</sup> *Laws of Illinois, 1853*, 231-34.



One year after the lands had been offered at public sale, the price was to be reduced fifty cents on every acre left unsold. At the expiration of every successive year a similar reduction in price was to be made on all lands until sold, but in no case was any sale to be made for less than \$1.50 an acre. All money received from the sale of lands was to be invested by the governor in bonds, scrip, or other state indebtedness. The governor was to cancel all such indebtedness.

The act of 1853 provided that any person having become an actual settler on any forty or eighty acre tract being offered for sale by the state previous to the entry or selection of such land by the state, was entitled to the right of pre-emption to any such tract or tracts of land, not exceeding eighty acres, extending to the period of two years from the passage of the act, at the price of \$1.25 per acre, with six per cent interest annually from the date of entry or selection by the state until paid for by the person having such pre-emption right. The owner of any improvement, at the time of the passage of the act, on any forty or eighty acres being offered for sale by the state, was entitled to the right of pre-emption to any such tract not exceeding eighty acres extending to a period of two years from the date the act was passed, at the price per acre of the last appraisement made by the authority of the state. Every person claiming pre-emption was to file a claim within six months. Any lands to which pre-emption rights were established within the time specified by the act, were not to be offered at public sale until the pre-emption right had expired. On February 10, 1855, the legislature passed an amendatory act continuing in full force the right of pre-emption for one year after February 13, 1855.<sup>28</sup>

The state lands were not sold as rapidly as expected. By December 1, 1854, there were still 48,578.15 acres unsold.<sup>29</sup> In 1857 the act of 1853 was amended by extending the time of sale until all the lands were sold.<sup>30</sup> Persons having the right

<sup>28</sup> *Laws of Illinois*, 1855, public, 45.

<sup>29</sup> The state auditor's annual report, December 1, 1854, *Ibid.*, private, page xxxvi.

<sup>30</sup> *Ibid.*, 1857, public, 61.

of pre-emption were allowed six months to prove their claims.

By November 30, 1858, all saleable state lands were sold.<sup>31</sup> A total of 122,396.92 acres had brought \$516,646.30 in bonds and scrip, and 127,530.51 acres had been sold for \$419,598.25 in gold and silver.<sup>32</sup> Other state property which was sold included the *Quincy House* and the salt wells and coal lands in the Gallatin county saline reserve.<sup>33</sup>

The sale of state property liquidated less than one-eighth of the internal improvement debt. Most of the state's obligations had to be met through direct taxation. Proceeds from the one and a half mill tax authorized in 1845 first became available for interest payments on July 1, 1846, when about \$30,000 was applied.<sup>34</sup> While this sum was equal to but a small part of the payment falling due, it demonstrated to the bondholders that the state was disposed to take up the burden of paying its obligations.

When the legislature convened for the 1846-1847 session, Governor French in his message suggested registration and refunding of the state debt to facilitate payment.<sup>35</sup> He pointed out that an uncertainty hung over the exact amount of the state's liabilities creating a vague apprehension in the minds

<sup>31</sup> A total of 1,424.27 acres remained unsold. *Internal Improvement Records*, XVIII, 140.

<sup>32</sup> *Ibid.*, 140-41. The land had been acquired by the state for internal improvements as follows:

Donated to the state by the national government —	
Chicago land district .....	90,022.88 acres
Dixon land district .....	77,390.32 "
Danville land district .....	41,646.85 "
Total land donated .....	209,060.05 acres
Land purchased by the board of public works —	
Central Railroad .....	17,153.22 acres
Alton-Shelbyville Railroad .....	16,563.14 "
Alton-Mt. Carmel Railroad .....	7,535.29 "
Alton-Shawneetown Railroad .....	1,040.00 "
Total land purchased .....	42,291.65 acres
Total amount of land acquired .....	251,351.70 acres

*Reports General Assembly*, 1850-1851, senate, 44.

<sup>33</sup> *Laws of Illinois*, 1847, 114-15.

<sup>34</sup> *Illinois Gazette*, July 25, 1846.

<sup>35</sup> Message of Governor French, December 9, 1846, *Senate Journal*, 1846-1847, 15.

of the people that the efforts being made to meet a portion of it were of little avail, and that to correct this, some course should be adopted to determine the true amount of the debt. He declared that all the state bonds and scrip, except the canal debt, should be converted into uniform transferable stock. For the arrears of interest due upon the bonds, a deferred stock of similar character, differing only in that it bore no interest for a number of years, was recommended. The expense of refunding, French thought, would be less than the loss already suffered from counterfeiting the coupons, and would possess the advantage of reducing the whole debt into a clear and tangible form.

In accordance with the recommendation of the governor, the legislature passed two funding acts, one authorizing the funding of state bonds, and the other the state scrip and accrued interest on the debt.<sup>36</sup> Considerable opposition arose against the funding of the accrued interest on the ground that it would in effect cause the state to pay compound interest after 1857, when the interest bonds were to begin bearing interest. Within three years practically the entire debt, excluding that of the canal, was refunded in uniform securities, which greatly simplified the debt, and prevented further serious losses from the counterfeiting of the bonds.<sup>37</sup>

During the period of serious financial embarrassment when the state was desperately seeking increased revenues, appeals were made to Congress for a removal of the restriction which the state had accepted at its admission into the union that no tax could be imposed upon the land sold by the national government within her limits for five years after sale. Sidney Breese in the Senate and John Wentworth in the House consistently made efforts to remove the restriction, until Congress finally acceded.<sup>38</sup> Consequently, on February 19, 1847, the

<sup>36</sup> *Ibid.*, 1846-1847, 95, 205, 226, 310, 324, 350, 363, 376; *Laws of Illinois*, 1847, 161, 165; *Illinois State Register*, March 5, 1847.

<sup>37</sup> *Alton Telegraph*, October 1, 1847; *Illinois State Register*, January 6, July 12, 1849.

<sup>38</sup> *Congressional Globe*, 28 Congress, 2 Session, 38, 99; *Ibid.*, 29 Congress, 1 Session, 221, 378, 1079; *Ibid.*, 29 Congress, 2 Session, 52, 68, 121, 128; *United States Statutes at Large*, IX, 118.

legislature passed a law providing that all lands sold in the future by the national government within the state should be immediately subject to taxation.<sup>39</sup> This measure materially increased the revenue of the state, as after the Mexican War, the distribution by the national government of land warrants among the soldiers as bounty caused a large quantity of land to be thrown on the market.

In 1847, the constitutional convention meeting to frame a new constitution for the state took up the problem of providing additional means to pay the debt. Judge Stephen A. Logan submitted a proposal to invest the school fund in state bonds at their market value.<sup>40</sup> He contended that the school fund could be doubled by this financial operation if the bonds could be bought by the state at fifty cents on the dollar, which was the approximate market price of Illinois bonds at the time. The *State Register* in commenting on the proposal declared that such a measure would set a precedent for repudiation. The *Sangamo Journal*, on the other hand, favored the plan, and suggested that a poll tax which would bring in about \$133,000 annually should be adopted to build up the school fund and invested in state bonds.<sup>41</sup>

On August 25, the finance committee reported that the constitution should provide that the general assembly levy annually a tax of not less than three mills on every dollar's worth of personal and real property within the state, the proceeds of which should be applied to the payment of the indebtedness of the state.<sup>42</sup> Cyrus Edwards of Madison county moved that the levy be two mills instead of three. The new constitution as framed had an article providing for a tax of two mills on the dollar, to be applied to the creation of a fund to be apportioned annually on January 1 and paid over *pro rata* upon all state indebtedness, other than canal and school

<sup>39</sup> *Laws of Illinois*, 1847, 83.

<sup>40</sup> *Illinois State Register*, July 2, 1847.

<sup>41</sup> Arthur Charles Cole, editor, *The Constitutional Debates of 1847* (Collections of the Illinois State Historical Library, volume XIV, Springfield, 1919), 174-89.

<sup>42</sup> *Illinois State Register*, September 3, 1847; *Constitutional Debates of 1847*, 885-87.

indebtedness, in extinguishment of the principal.<sup>43</sup> The total internal improvement debt in July of 1847 amounted to \$8,164,981.<sup>44</sup>

The first proceeds from the two mill tax became available on July 1, 1848.<sup>45</sup> A payment of six dollars was made on each \$1000 bond, which amounted to but one-fifth of the interest falling due on that date. It soon became apparent that the method of applying the proceeds from the two mills tax was unsatisfactory. Bondholders were required to present all bonds at the treasury on January 1 of each year to secure endorsement for payment of but \$18 or \$20 on each \$1000. In 1849 and again in 1850, the governor in his annual message suggested that the proceeds from the tax should be used in the purchase of state bonds at the market price. He felt that such a policy would have the effect of increasing the market value of the bonds.<sup>46</sup> In compliance with the governor's recommendation, the legislature adopted a resolution in 1851 to submit a constitutional amendment to a vote of the people.<sup>47</sup> The proposed amendment would have granted to the legislature the discretion of using the funds arising from the two mill tax in the purchase of state bonds in the open market at current rates, instead of keeping the money in the treasury until the first of January in each year, then to be apportioned and paid *pro rata* at a par valuation on the bonds presented, regardless of their price in the market. When the amendment was presented to the people at the general election of November, 1852, it failed to receive the required number of votes.

In spite of the failure of this amendment, the state was enabled by other means to buy bonds in the open market. A series of acts by the legislature provided for the use of various funds to buy state indebtedness. It was by this means that a large part of the debt was finally liquidated.

<sup>43</sup> Emil Joseph Verlie, editor, *Illinois Constitutions (Collections of the Illinois State Historical Library, volume XIII, Springfield, 1919)*, 98-99.

<sup>44</sup> Communication from Governor French to the constitutional convention, July 8, 1847, *Illinois State Register*, July 15, 1847.

<sup>45</sup> *Illinois State Register*, July 21, 1848.

<sup>46</sup> *Ibid.*, May 15, 1851.

<sup>47</sup> *Laws of Illinois*, 1852, 198.



On February 12, 1849, a law had been passed authorizing the governor to use such sums of money as might be received from the general government for the school fund of the state in purchasing state indebtedness.<sup>48</sup> In 1853, an act was passed requiring that any unappropriated or surplus funds in the treasury, or which in the future might be received from any sources of revenue, or from the sale of state lands or other property, should be applied to the purchase of the indebtedness of the state, except such indebtedness as might not have been fully recognized by the laws of the state.<sup>49</sup> It was in accordance with this act that state bonds were purchased with a part of the funds received from the Illinois Central Railroad Company which under the terms of its charter had to give the state seven per cent of its gross revenues.<sup>50</sup> On February 19, 1857, an act was passed providing that surplus funds arising from the two mill tax after the payment of the amount due on the principal of such bonds as might be presented on January 1, annually, should be applied by the governor in the purchase of indebtedness of the state in the manner provided for in the "act to provide for reducing the state debt" approved in 1853.

In 1857 the state was able to pay its annual interest in full on all its indebtedness.<sup>52</sup> This it had not been able to do during the ten years which had elapsed since the debt was refunded in 1847, and hence there was a sum of back interest which had not been paid. An act, therefore, was passed in 1857 directing bonds to be issued for the interest which had accrued between the years of 1847 and 1857.<sup>53</sup> These bonds were not to bear interest until January 1, 1860, but at that date they were deemed to be principal. Thus there were three kinds of state indebtedness for which "internal improvement bonds" had been issued — the first class for principal, redeemable in 1870; the second for interest which accrued prior to

<sup>48</sup> *Ibid.*, 1849, 70.

<sup>49</sup> *Ibid.*, 1853, 200.

<sup>50</sup> *Illinois Journal*, January 22, 1851; *Senate Journal*, 1850-1851, 237, 265, 266. For 1855 and 1856 the railroad was required to pay five per cent.

<sup>51</sup> *Laws of Illinois*, 1857, public, 100.

<sup>52</sup> *Illinois Journal*, November 17, 1858.

<sup>53</sup> *Laws of Illinois*, 1857, public, 104.

July 1, 1847, and which became due July 1, 1857; and the third for interest which accrued between 1847 and 1857, and which were redeemable at the pleasure of the state after January 1, 1860.

A number of events from 1855 to 1859 threatened to cost the state considerable losses in the payment of its debt. On January 1, 1855, news came to Illinois that Julius Wadsworth, the interest paying agent of the state in New York had become bankrupt.<sup>54</sup> There was in his hands at that time the sum of \$226,643.25 in state funds. Governor Matteson appointed Uri Osgood to institute proceedings in the supreme court of the state against the securities of Wadsworth to recover the funds belonging to the state. In the arguments before the court the defense declared that Wadsworth was not the agent of the state, but the agent of the governor, and that he did not have to account to the state for funds placed in his hands by Governor Matteson. It was replied on the part of the state that the law which required the governor to pay out the money necessarily implied that he should appoint an agent as it was impossible for him to do it in person, and therefore, the appointment of an agent was contemplated by the law. Before a decision was rendered by the court, however, Wadsworth proposed to pay the interest funds in his hands with state indebtedness, dollar for dollar. Governor Matteson accepted the offer, and on January 10, 1857, John Moore, state treasurer, reported that he had received \$226,643.25 from Wadsworth in full discharge of his obligations to the state.<sup>55</sup> In the legislature the Republicans charged that Matteson had made a practice of placing state funds in the hands of the interest paying agents several months before interest payments were due in order that they might speculate with the funds.<sup>56</sup> Democratic leaders and papers throughout the state observed strict silence on the subject. The Wadsworth failure resulted in a law being

<sup>54</sup> *Illinois State Register*, July 12, 19, 1855, July 24, 1856; message of Governor Joel A. Matteson to the general assembly, *Reports General Assembly*, 1856-1857, volume I, 8.

<sup>55</sup> Special report of Moore to the general assembly, January 10, 1857, *Ibid.*, 1856-1857, 153-57, volume I, 153-57.

<sup>56</sup> *Vermillion County Press*, July 27, 1857.

passed in 1859 providing that the state maintain no transfer agency in New York, but that the state treasurer should make the interest payments and that the governor should pay the principal on the state bonds.<sup>57</sup>

In 1859 an attempt was made to defraud the state. Holders of \$114,000 of Macalister and Stebbins bonds made an effort to have them refunded under the refunding law of 1847.<sup>58</sup> The liability of the state on these bonds was but \$45,000, whereas, if the refunding had succeeded it would have been \$192,683. The Macalister and Stebbins bonds need some explanation. In 1841 when the state was without funds to make interest payments, the legislature authorized the governor to issue bonds to raise money, the bonds to be sold by the internal improvement fund commissioner at the best price obtainable.<sup>59</sup>

In June, 1841, the fund commissioner, John D. Whiteside, made an agreement with Macalister and Stebbins of New York to hypothecate with them interest bonds of \$1000 each at the rate of \$400 per bond or forty cents to the dollar.<sup>60</sup> He delivered to the firm 804 bonds with the understanding that they were to pay \$321,600 on the interest due on the state debt, and that they would not dispose of the bonds unless sold at seventy-five per cent of their par value. Furthermore, they were to sell no more than to reimburse the advance which they had made to the state under the direction of the fund commissioner. On behalf of the state, Whiteside promised that the loan would be refunded within six months and that three and a half per cent interest would be paid on it during that period. Macalister and Stebbins paid but \$286,433.33 on the interest of the state debt on July 1, and of this \$24,872.50 was returned in the form of a protested bill on October 9.<sup>61</sup> As the price of Illinois bonds declined after the contract was made on June 17, Macalister and Stebbins asked for more secur-

<sup>57</sup> *Laws of Illinois*, 1859, 192.

<sup>58</sup> *Illinois State Journal*, July 20, August 10, 1859; *Illinois State Register*, January 10, 1860.

<sup>59</sup> *Laws of Illinois*, 1841, 166-67.

<sup>60</sup> Report of Whiteside to the senate, December 26, 1842, *Reports General Assembly*, 1842-1843, senate, 75; *Sangamo Journal*, October 22, 1841.

<sup>61</sup> Macalister and Stebbins statement to the senate, *Reports General Assembly*, 1842-1843, senate, 197.

ity and took into their possession forty-two more \$1000 bonds and \$67,215.44 of scrip, so that they held a total of \$913,215.44 in state liabilities as collateral security for the loan of \$261,560.83. The firm had to pledge these bonds in various amounts with different brokers in order to raise the money which it had loaned the state.<sup>62</sup>

When the fund commissioner was unable to repay the loan in December, the creditors of Macalister and Stebbins proceeded to sell the bonds in their possession in an effort to satisfy the advances which they had made to that firm in order that it might loan the \$261,560.83 to the state. Five hundred thirty-five of the state bonds selling at fifteen to twenty cents on the dollar netted only \$89,877.24. During the 1842-1843 session of the general assembly, Macalister and Stebbins applied to the state for relief. A joint select committee was appointed to conduct an investigation at which John D. Whiteside and Charles Macalister testified. After hearing the testimony of these two men the committee adopted resolutions denying the right of the fund commissioner to hypothecate bonds under the existing laws of the state, but recommended that the holders of the bonds in question be paid *pro rata* for the amount advanced to the state on them.<sup>63</sup> After much discussion the legislature passed a law on March 4, 1843, authorizing the auditor to pay Macalister and Stebbins the sum of \$261,500 with interest from June 17, 1841, in installments of \$20,000 to be paid in 1844, and \$50,000 annually thereafter, until the whole amount was paid; provided, that Macalister and Stebbins should surrender the bonds and other state liabilities in their possession to the auditor.<sup>64</sup> This act to settle the account of Macalister and Stebbins was not complied with since the bonds which they proposed to return were no longer subject to their control.<sup>65</sup>

<sup>62</sup> *Peoria Register*, January 14, 1842.

<sup>63</sup> Report of the joint select committee to whom was referred the memorial of Charles Macalister, February 25, 1843, *Reports General Assembly*, 1842-1843, senate, 185-98; *Illinois State Register*, January 14, 1842; *Sangamo Journal*, January 7, 14, February 4, 25, 1842.

<sup>64</sup> *Senate Journal*, 1842-1843, 330, 456, 534; *Laws of Illinois*, 1843, 286.

<sup>65</sup> Message of Governor Ford, December 3, 1844; *Reports General Assembly*, 1844-1845, senate, 9.

At its 1844-1845 session the general assembly adopted a joint resolution authorizing the governor to accept the Macalister and Stebbins bonds in discharge of debts due the state at the rate of twenty-six cents on the dollar.<sup>66</sup> On February 10, 1849, a law was passed empowering the governor to issue liquidation bonds of not less than \$1000 each, payable after the year 1865 and bearing interest at the rate of six per cent, to the holders of Macalister and Stebbins bonds at the rate of twenty-six cents on the dollar when amounts of not less than \$20,000 of those bonds should be surrendered.<sup>67</sup> By 1865 all of the bonds had been exchanged except one hundred twenty. On February 15 of that year a law was passed stipulating that the state would pay for the remainder of the bonds at the rate of \$248.13 on the \$1000 until January 1, 1866, but after that date the privilege of redeeming them would be forever forfeited.<sup>68</sup> In his message to the legislature on January 17, 1867, Governor Richard J. Oglesby reported that all of the Macalister and Stebbins stock had been paid.<sup>69</sup> Thus after twenty-five years this source of annoyance to the state was finally settled.

After 1859 payments were made regularly on the state debt without any more difficulty, although the indebtedness was increased by the sale of two million dollars in war bonds to aid the state in financing its part in the Civil War. On November 12, 1880, the governor issued a proclamation calling in the last of the bonds, and on January 1, 1881, John C. Smith, the state treasurer, paid them in New York.<sup>70</sup> The sum of \$23,600 remained unpaid on October 1, 1882, since it had not been presented for payment even though called in for redemption. Thus after forty years the state was relieved of the burden which had caused it so much embarrassment.

It would seem that Illinois experienced great difficulties in

<sup>66</sup> *Laws of Illinois*, 1845, 371.

<sup>67</sup> *Ibid.*, 1849, 43-45.

<sup>68</sup> *Ibid.*, 1865, public, 89.

<sup>69</sup> Message of Governor Oglesby, January 17, 1867, *Reports General Assembly*, 1866-1867, senate, 4.

<sup>70</sup> Report of Edward Rutz, state treasurer, November 1, 1882, *Ibid.*, 1882-1883, volume I, 24, 26.



liquidating the internal improvement debt. In comparison with other states, however, it did very well in meeting its obligations. Ohio, for example, with greater resources and population when the indebtedness was contracted did not make the final payment until 1902 even though its debt was no greater than that of Illinois.<sup>71</sup> Mississippi, Louisiana, Maryland, Pennsylvania, Indiana, and Michigan repudiated part of their debt in varying amounts.

In explaining the relative success of Illinois in handling the debt problem Governor Ford deserves much credit for the courageous manner in which he faced the state's financial difficulties. Under his leadership the legislature inaugurated a program which eventually solved the debt problem. The large income which the state received from the Illinois Central Railroad was another important factor in paying the debt.<sup>72</sup> Approximately twenty-five per cent of the state's indebtedness was liquidated with the money received from the privately owned railroad. Most important, though, in explaining the solution of the financial difficulties are the better times and increased wealth. A study of the following table will show how it became possible for the state to pay the internal improvement debt.<sup>73</sup>

Year	Assessed value of real estate and personal property	Amount of tax charged	Net amount collected for ordinary expenses
1839	\$ 58,889,525.00	\$ 117,779.05	\$ 106,201.03
1840	58,752,168.00	117,821.28	105,411.61
1841	70,196,053.00	210,498.10	189,404.52
1842	72,605,424.00	108,908.08	98,546.14
1843	72,416,800.00	144,833.60	134,754.55
1844	75,757,765.00	151,495.53	140,917.83
1845	82,327,105.00	246,981.22	229,617.08
1846	88,815,403.43	311,118.00	290,075.08

<sup>71</sup> The state debt of Ohio amounted to \$15,573,000 in 1841. Bogart, *op. cit.*, 174, 232.

<sup>72</sup> For the amount of money received by the state from the Illinois Central Railroad see Appendix I.

<sup>73</sup> Data for this table was obtained from the biennial reports of the auditor of public accounts.

1847	92,206,493.96	339,779.53	314,830.66
1848	102,132,193.97	379,232.01	344,422.93
1849	105,432,752.13	612,428.19	578,763.81
1850	119,868,336.37	702,076.17	593,142.81
1851	137,818,079.30	834,495.60	700,951.26
1852	149,294,805.00	909,472.87	791,749.40
1853	225,159,633.00	1,116,993.37	962,282.09
1854	252,756,568.00	1,279,089.87	1,190,021.18
1855	334,398,425.00	2,260,904.90	2,097,951.43
1856	349,951,272.00	2,368,741.81	2,199,814.43
1857	407,477,367.00	2,750,346.01	2,515,501.08
1858	403,140,321.00	2,739,429.90	2,446,576.77

It will be seen that the state enjoyed a steady and rapid increase in property valuations after 1843. Even more important was the increase in taxes which the state could collect. It doubtless was less burdensome for the people to pay more than two and a half million dollars in taxes during 1857 than it had been to pay only ninety eight thousand dollars in 1842.

## APPENDICES

### APPENDIX A

#### FINAL REPORT OF TRUSTEES OF ILLINOIS AND MICHIGAN CANAL \*

Amounts Received Between June 26, 1845, and April 30, 1871

Loan of 1,600,000 dollars, principal and interest.....	\$ 1,601,891.90
Canal bonds, sales, protection, etc.....	4,706,482.68
Construction of canal feeders, etc.....	2,132.25
Maintenance and repairs of canal and feeders.....	111,003.97
Tolls, collections, inspection, and salaries.....	4,405,658.27
Interest and exchange.....	181,412.07
Premium on gold for dividends on bonds.....	923.27
General expenses and contingencies.....	3.00
Total.....	<hr/> \$11,009,507.41

Amounts Expended Between June 26, 1845, and April 30, 1871

Loan of 1,600,000 dollars, principal and interest.....	\$ 2,153,771.31
Construction of canal feeders, etc.....	1,429,606.21
Canal bonds, sales, protection, etc.....	115,523.23
Arrears of interest on registered bonds.....	2,155,622.38
Principal of registered bonds.....	2,195,463.67
Maintenance and repairs of canal and feeders.....	1,853,049.61
Tolls, collections, inspection, and salaries.....	160,462.71
Canal damages, flowage, etc.....	22,163.32
General expenses and contingencies.....	421,600.82
Interest and exchange.....	21,073.80
Losses on "wildcat" currency, counterfeit bills, broken banks, etc.....	14,563.52
Balance in hands of treasurer of the board of trustees, April 30, 1871.....	95,742.41
Total.....	<hr/> \$11,009,507.41

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\* Report of canal commissioners, December 1, 1872, *Reports General Assembly*, 1872-1873, volume I, 8.

## APPENDIX B

APPRAISAL OF INTERNAL IMPROVEMENT  
PROPERTY, 1844 \*

DESCRIPTION OF PROPERTY	ACRES	VALUE
Lands on Central Railroad valued by E. Adams and J. M. Kelley.....	16,538.00	\$ 131,560.00
Lands lying in Shelby and Coles counties valued by W. Williamson.....	11,658.05	27,510.50
Lands lying in the Danville district valued by D. Markley, agent.....	3,760.00	33,200.00
Lands selected by D. Markley in the Dan- ville district, pursuant to an Act of Congress, approved March 19, 1842.....	2,496.11	11,920.52
Lands in the Danville district.....	39,744.19	133,458.12
Lands in the Dixon district.....	78,189.73	451,583.05
Lands in the Chicago district.....	96,144.70	337,161.17
Depots, buildings, materials, work done, and right of way on the Northern Cross Railroad, from Springfield to the Illinois river, valued by E. Adams and F. Doyle..		234,515.50
House and lot in Jonesboro, valued by E. Adams and J. M. Kelley.....		3,000.00
One lot of ground in Mt. Carmel.....		45.00
One lot of ground in Danville.....		250.00
Part lot 4, block 3, in Quincy.....		250.00
Carmi Mills.....		15,000.00
New Haven Mills.....		15,000.00
One lot in Jacksonville.....		1,000.00
Land on Rock river.....	7.00	15,000.00
Total number of acres valued.....	248,544.78	\$1,410,453.86
Total amount sold.....	19,938.19	73,199.15
Lands in the Chicago district not valued.....	5,463.24	
Remaining unsold.....	234,069.83	\$1,290,709.71

## OTHER LAND AND LOTS NOT VALUED

Ten acres of land in Cairo City.

Three-fourths acre of land in Equality.

Lots number 1175, 1176, and 1178 in Shawneetown.

\* Report of Auditor William L. D. Ewing, on appraisement of state property, December 16, 1844, *Reports General Assembly*, 1844-1845, senate, 142.

One-half of lot number 272 in Shawneetown.

One lot of ground in Paris.

Lots in Jacksonville, Meredosia, New Berlin, Springfield,  
and Decatur donated.

## APPENDIX C

### STATE INDEBTEDNESS FUNDED \*

175	Bank and internal improvement bonds — State	
	Bank of Illinois .....	\$ 175,000.00
	Written bonds issued to State Bank of Illinois.....	5,180.45
790	Bank and internal improvement bonds — Bank	
	of Illinois .....	790,000.00
2991	Internal improvement bonds (board of fund	
	commissioner) .....	2,991,000.00
4	Internal improvement bonds destroyed by fire,	
	Strachan and Scott .....	4,000.00
455	Internal improvement bonds signed by	
	R. F. Barrett, fund commissioner .....	455,000.00
530	£225 sterling internal improvement bonds at	
	8% exchange .....	572,400.00
33	£100 sterling internal improvement bonds at	
	8% exchange .....	15,840.00
49	Illinois and Michigan Canal bonds (Northern	
	Cross Railroad bonds) funded under	
	special act .....	49,000.00
	Internal improvement scrip issued by Hogan	
	and Prentiss .....	420,379.08
	Internal improvement scrip not found .....	6,300.00
	Drafts on fund commissioner by board of	
	public works .....	82,733.88
	Scrip issued to G. B. Redman by Governor French....	1,200.00
	Scrip issued by board of auditors, Shields,	
	Carpenter, and Trumbull .....	20,416.70
	New internal improvement stock certificates	
	issued to M. Kennedy on account of scrip	
	in hands J. Holford .....	38,215.44
92	State house bonds or stock for public buildings .....	92,000.00
		<hr/>
		\$5,718,665.47

\* Report of senate finance committee, *Reports General Assembly, 1860-1861*, volume I, 418-20.



## APPENDIX D

## ARREARS OF INTEREST FUNDED IN 1857 \*

## Presented for Funding

Arrears of interest on new internal improvement stock certificates .....	\$1,770,025.43
Arrears of interest on three year old internal improvement bonds .....	2,399.49
Internal improvement scrip funded — principal \$3,953.22, interest \$10,679.53 .....	14,632.75
Arrears of interest on Illinois and Michigan Canal stock .....	1,184,604.62
Illinois and Michigan Canal scrip funded — principal \$674.05, interest \$693.12.....	1,367.17
	<u>\$2,973,029.46</u>

## INTEREST STOCK OF 1857 ISSUED

113 bonds, numbers 1 to 113 inclusive, issued for arrears of interest on canal stock being in the form of canal bonds of 1847, but printed in red across the face designating them as being issued under the act of February, 1857, and not to draw interest until Jan- uary, 1860 .....	\$ 113,000.00
262 bonds, numbers 1 to 262, issued for arrears of inter- est and being in the form of new internal improve- ment stock certificates of July 1, 1847, printed in red across the face, designating them to be interest stock issued under the act of February, 1857, and not to draw interest until January, 1860 .....	262,000.00
2522 bonds, numbers 623 to 2783 inclusive, interest stock, new plate dated May 1, 1857 .....	2,582,043.28
	<u>\$2,957,043.28</u>
Less bond number 2077 returned and cancelled .....	1,815.00
	<u>\$2,955,228.28</u>
Certificates of state indebtedness for balances over even thousands and for sums under one thou- sand dollars and balances on the funding book certificates taken up December 30, 1860, except \$2,674.53 .....	17,801.18
	<u>\$2,973,029.46</u>

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\* Report of senate finance committee, *Reports General Assembly*, 1860-1861, volume I, 426-27.

## APPENDIX E

## INDEBTEDNESS BOUGHT WITH LAND FUND \*

New internal improvement stock certificates .....	\$145,754.82	
Interest bonds of 1847 .....	15,550.62	
Illinois and Michigan Canal bonds,		
one bond of 1837 .....	\$ 1,000	
one bond of 1839 .....	1,000	
eleven bonds of 1841 .....	11,000	
seventy bonds of 1847 .....	70,000	
nine sterling £225 bonds .....	9,720	92,720.00
<hr/>		
Illinois and Michigan Canal scrip and checks,		
of March 1, 1848 .....	\$ 9,311.56	
of 1842 and subsequently .....	705.50	
Governor's scrip .....	844.42	
ninety day canal checks .....	900.00	11,461.48
<hr/>		
Internal improvement scrip .....	1,641.93	
Illinois and Michigan Canal interest certificates .....	33,082.01	
		<hr/> \$300,210.86

\* Report of senate finance committee, *Reports General Assembly*, 1860-1861, volume I, 420.

## APPENDIX F

## INDEBTEDNESS BOUGHT WITH SCHOOL FUND \*

New internal improvement stock certificates .....	\$ 65,615.26	
New internal stock interest bonds .....	19,302.07	
Illinois and Michigan Canal bonds,		
one bond of 1847 .....	\$ 1,000.00	
twenty-six sterling £225 bonds ....	28,080.00	29,080.00
<hr/>		
Illinois and Michigan Canal scrip,		
of March 1, 1840 .....	\$37,300.00	
of 1842 and subsequently .....	61.50	
Governor's scrip .....	289.72	37,651.22
<hr/>		
Internal improvement scrip, Hogan and Prentiss .....	963.57	
		<hr/> \$152,612.12

\* Report of senate finance committee, *Reports General Assembly*, 1860-1861, volume I, 421.

# APPENDIX G INTEREST FUND — ONE AND ONE-HALF MILL TAX \*

PERIOD	RECEIVED	DISBURSED	BALANCE NOV. 30	YEAR
Nov. 1, 1845 — Nov. 30, 1846	\$ 62,024.33	\$ 62,000.00	\$ 24.33	1846
Dec. 1, 1846 — Nov. 30, 1848	234,943.92	234,139.00	829.25	1848
Dec. 1, 1848 — Nov. 30, 1850	296,326.89	263,034.50	34,121.64	1850
Dec. 1, 1850 — Nov. 30, 1852	366,393.75	335,801.16	64,714.13	1852
Dec. 1, 1852 — Nov. 30, 1854	528,257.85	530,621.18	62,350.90	1854
Dec. 1, 1854 — Nov. 30, 1856	966,420.44	691,047.23	337,724.11	1856
Dec. 1, 1856 — Nov. 30, 1858	1,047,884.38	1,162,165.54	223,442.95	1858
Dec. 1, 1858 — Nov. 30, 1860	949,081.85	913,099.90	259,424.90	1860
Dec. 1, 1860 — Nov. 30, 1862	1,439,711.51	1,338,153.41	360,983.00	1862
Dec. 1, 1862 — Nov. 30, 1864	1,390,269.42	1,441,995.84	309,256.58	1864
Dec. 1, 1864 — Nov. 30, 1866	1,539,747.31	1,310,455.42	538,548.47	1866
Dec. 1, 1866 — Nov. 30, 1868	1,128,373.57	1,429,882.43	237,039.61	1868
Dec. 1, 1868 — Nov. 30, 1869	385,218.95	386,353.86	235,904.70	1869
Dec. 1, 1869 — Nov. 30, 1870	412,772.02	326,687.40	321,989.32	1870
Dec. 1, 1870 — Nov. 30, 1872	6,778.47	310,912.33	17,855.46	1872
Dec. 1, 1872 — Nov. 30, 1874	213,805.08	231,660.54		1874

\* Biennial reports of the state treasurer, *Reports General Assembly*, 1847-1875.

# APPENDIX H STATE DEBT FUND—TWO MILL TAX \*

PERIOD	RECEIVED	DISBURSED	BALANCE NOV. 30	YEAR
To Nov. 30, 1850	\$ 165,788.81	\$	\$ 165,788.81	1850
Dec. 1, 1850—Nov. 30, 1852	492,166.53	395,467.96	262,487.38	1852
Dec. 1, 1852—Nov. 30, 1854	701,220.99	545,140.80	418,567.57	1854
Dec. 1, 1854—Nov. 30, 1856	1,113,413.14	908,820.46	623,160.25	1856
Dec. 1, 1856—Nov. 30, 1858	1,387,553.92	1,244,084.69	766,629.48	1858
Dec. 1, 1858—Nov. 30, 1860	1,192,010.07	1,466,260.45	492,379.10	1860
Dec. 1, 1860—Nov. 30, 1862	148,083.11	640,462.21		1862
Dec. 1, 1862—Nov. 30, 1864	589,128.94	4.50	589,124.44	1864
Dec. 1, 1864—Nov. 30, 1866	1,406,484.68	1,264,020.63	731,588.63	1866
Dec. 1, 1866—Nov. 30, 1868	1,669,168.80	1,489,837.25	910,920.04	1868
Dec. 1, 1868—Nov. 30, 1869	856,102.30	652,868.67	1,114,153.67	1869
Dec. 1, 1869—Nov. 30, 1870	781,873.09	79,680.36	1,816,346.40	1870
Dec. 1, 1870—Nov. 30, 1872	1,105,401.80	2,587,982.83	333,765.37	1872
Dec. 1, 1872—Nov. 30, 1874		333,765.37		1874
Total.....	\$11,608,396.18			

\* Biennial reports of state treasurer, *Reports General Assembly, 1850-1875.*

## APPENDIX I

AMOUNT PAID BY ILLINOIS CENTRAL RAILROAD  
INTO STATE TREASURY \*

PERIOD	GROSS EARNINGS	PERCENT	AMOUNT PAID INTO THE STATE TREASURY
From March 24, 1855, to			
Oct. 31, 1855 .....	\$ 595,031.86	5	\$ 29,751.59
For six months ending			
April 30, 1856 .....	630,580.02	5	31,529.00
For six months ending			
Oct. 31, 1856 .....	922,053.30	5	46,102.56
For six months ending			
April 30, 1857 .....	925,386.69	5 and 7	59,196.82
For six months ending			
Oct. 31, 1857 .....	1,234,986.00	7	86,499.02
For six months ending			
April 30, 1858 .....	860,796.56	7	60,225.76
For six months ending			
Oct. 31, 1858 .....	1,024,996.78	7	71,749.77
For six months ending			
April 30, 1859 .....	830,538.42	7	58,137.68
For six months ending			
Oct. 31, 1859 .....	1,056,668.35	7	73,966.78
For six months ending			
April 30, 1860 .....	1,151,608.00	7	80,612.56
For six months ending			
Oct. 31, 1860 .....	1,384,923.67	7	96,944.66
For six months ending			
April 30, 1861 .....	1,213,348.00	7	84,934.36
For six months ending			
Oct. 31, 1861 .....	1,318,906.47	7	92,323.45
For six months ending			
April 30, 1862 .....	1,063,790.61	7	74,465.34
For six months ending			
Oct. 31, 1862 .....	1,967,275.18	7	137,709.26
For six months ending			
April 30, 1863 .....	1,809,068.97	7	126,634.83

\* Report of John C. Smith, treasurer, November 1, 1880, *Reports General Assembly, 1880-1881*, volume I, 33.



AMOUNT PAID BY ILLINOIS CENTRAL RAILROAD  
INTO STATE TREASURY (*Cont'd*)

PERIOD	GROSS EARNINGS	PERCENT	AMOUNT PAID
			INTO THE STATE TREASURY
For six months ending			
Oct. 31, 1863 .....	2,482,282.12	7	173,759.75
For six months ending			
April 30, 1864 .....	2,429,358.23	7	170,055.08
For six months ending			
Oct. 31, 1864 .....	3,363,699.48	7	235,458.96
For six months ending			
April 30, 1865 .....	3,436,483.38	7	240,553.84
For six months ending			
Oct. 31, 1865 .....	3,656,228.56	7	255,936.00
For six months ending			
April 30, 1866 .....	2,935,738.55	7	205,501.70
For six months ending			
Oct. 31, 1866 .....	3,165,343.63	7	221,574.05
For six months ending			
April 30, 1867 .....	2,595,566.99	7	207,574.05
For six months ending			
Oct. 31, 1867 .....	3,383,400.57	7	236,838.04
For six months ending			
April 30, 1868 .....	2,780,043.05	7	194,603.01
For six months ending			
Oct. 31, 1868 .....	3,339,921.01	7	233,794.47
For six months ending			
April 30, 1869 .....	2,999,196.41	7	209,943.75
For six months ending			
Oct. 31, 1869 .....	3,642,708.06	7	254,989.56
For six months ending			
April 30, 1870 .....	3,068,850.81	7	214,819.56
For six months ending			
Oct. 31, 1870 .....	3,568,070.85	7	249,764.96
For six months ending			
April 30, 1871 .....	3,026,072.73	7	211,825.09
For six months ending			
Oct. 31, 1871 .....	3,595,540.32	7	251,687.82
For six months ending			
April 30, 1872 .....	3,158,597.62	7	221,101.83

AMOUNT PAID BY ILLINOIS CENTRAL RAILROAD  
INTO STATE TREASURY (*Cont'd*)

PERIOD	GROSS EARNINGS	PERCENT	AMOUNT PAID INTO THE STATE TREASURY
For six months ending Oct. 31, 1872 .....	3,167,924.49	7	221,754.71
For six months ending April 30, 1873 .....	2,932,653.13	7	205,285.72
For six months ending Oct. 31, 1873 .....	3,189,832.63	7	223,288.28
For six months ending April 30, 1874 .....	2,535,046.43	7	177,453.25
For six months ending Oct. 31, 1874 .....	3,098,760.13	7	216,913.21
For six months ending April 30, 1875 .....	2,575,133.82	7	180,259.37
For six months ending Oct. 31, 1875 .....	2,792,952.20	7	195,506.65
For six months ending April 30, 1876 .....	2,519,443.07	7	167,361.01
For six months ending Oct. 31, 1876 .....	2,566,351.07	7	179,644.57
For six months ending April 30, 1877 .....	1,996,359.60	7	139,745.17
For six months ending Oct. 31, 1877 .....	2,522,953.86	7	176,606.77
For six months ending April 30, 1878 .....	2,160,421.99	7	151,229.54
For six months ending Oct. 31, 1878 .....	2,417,173.81	7	169,202.17
For six months ending April 30, 1879 .....	2,137,648.88	7	149,635.42
For six months ending Oct. 31, 1879 .....	2,512,028.08	7	175,841.96
For six months ending April 30, 1880 .....	2,368,395.46	7	165,787.68
Total amount paid State .....			\$8,104,656.19

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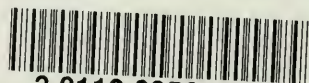








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